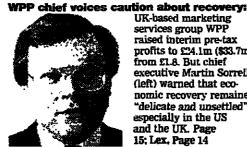
# FINANCIAL T

... TUESDAY AUGUST 24 1993

#### **UN** seeks safe route to Mostar for aid convoy

UN officials tried yesterday to persuade Bosnian Croat forces to let through convoys carrying food for 55,000 Moslems who are trapped in Mostar, south-western Bosnia, with little food or water. In London the parents of Bosnian children evacuated for treatment in Britain highlighted the plight of those left behind. One mother appealed for the use of force to save her homeland. Page 2

Taiwan's government might consider giving loan guarantees to revive its stalled joint aircraftbuilding venture with British Aerospace. Vice economics minister Yang Shih-chien did not rule out the possibility if a Taiwanese banking consortium failed to agree on the loans. Page 14



**UK-based** marketing services group WPP raised interim pre-tax profits to £24.1m (\$33.7m) from £1.8. But chief executive Martin Sorrell (left) warned that economic recovery remained "delicate and unsettled". especially in the US and the UK. Page 15; Lex. Page 14

Airlines challenge monopolles: KLM Royal Dutch Airlines, Air France, Alitalia, British Airways, Lufthansa, SAS and Sabena have made a joint complaint to the European Commission joined forces to try to break the monopolies held by ground services at Milan and Frankfurt airports and the the Spanish carrier Iberia.

**Morgan Stanley** shares surged in New York after the US securities house reported record second-quarter profits of \$224.2m compared with \$119m at the same state last year. Page 15

German group to cut dividend: German trucks and engineering group MAN is cutting its dividend from DM12 to DM8.50 after profits dropped 45 per cent in the year to the end of June.

Babangida 'will step down': Nigerian military ruler Ibrahim Babangida, pressed by trade unions and pro-democracy groups to hand over power, will step down tomorrow. a senior aide said. "I can assure you that he is leaving on Wednesday". said the unnamed aide. Nigerian military faces protests, Page 4; Oil prices rise on Nigerian unrest,

Australia rail plan: Anglo-French engineering company GEC Alsthom wants to build an A\$2.4bn (\$1.62bn) high-speed rail link between Sydney and Canberra. The company has sent its proposal to the federal, New South Wales and Australian Capital Territory governments.

= British Nuclear Fuels is likel to receive official clearance soon to start testing its controversial Thorp reprocessing plant in north-west England with uranium. Page 7

Kurds kidnap Britons: Kurdish rebels kidnapped two British tourists from a bus in south-east Turkey but abandoned them when they came under Turkish fire. The Kurdistan Workers party is still holding seven foreigners.

King's visit 'ridicules Greece': Greek President Constantine Karamanlis said ex-king Constantine's visit was holding Greece up to ridicule and should not be repeated.

German U-boat raised: A Danish-Dutch consortium raised a German U-boat from Danish waters. The submarine, sunk by a British bomber in May 1945, was being pumped out overnight and is expected to be opened today.

Doctors blame Chernobyi: The 1986 Chernobyl nuclear disaster was blamed for the birth of a in Moldova last week of a baby with two heads. A senior surgeon said the number of malformed babies had risen by 30 per cent since Chernobyl although the birth rate had fallen.

Stolen UN vehicles traced: The UN peacekeeping mission in Cambodia said it had found three of its 150 stolen vehicles at the homes of a police officer and two army generals.

Caviar cartel: Iran is suggesting the four former Soviet republics which the Caspian Sea join it in a caviar cartel to keep prices up.

Test win for England: England beat Australia by 161 runs on the last day of the final test match at The Oval in London, giving them their only win of the six-match series. Australia keep the Ashes. Mike Atherton was appointed England captain for the tour of the West Indies this winter.

STOCK MARKET INDICES STERLING

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### Bank of France eases monetary stance with rate cut

By John Ridding in Paris and James Blitz in London

THE Bank of France yesterday pushed interest rates nearer to levels that pre-vailed before the recent currency crisis by reducing the cost of lending whole-sale cash overnight for the lifth time in

The cut in the central bank's 24-hour rate, from 8.25 per cent to 7.75 per cent, was accompanied by a large injection of cash in the French money market.

Later, the 24-hour rate was suspended, in a move which some analysts saw as a further indication that monetary policy was being eased.

These moves followed several trading days which have seen the French franc appreciate sharply against the D-Mark inside the more relaxed European

exchange rate mechanism. The cut in French rates was accompanied by indications that central banks in the ERM may be relaxing the high interest rate policy which has kept their cur-

The Danish central bank yesterday cut its 14-day certificate of deposit rate by % a percentage point to 10.5 per cent, its first easing of monetary policy since the

ERM bands were widened.

Both the peseta and the escudo depreciated as dealers took the view that their central banks could cut interest rates ahead of this week's Bundesbank council meeting, the first since the summer

Officials at the Bank of France said

which was introduced at the end of last month to control liquidity and support the French franc within the ERM, was a

They said it reflected increased liquid-ity in the money market and the fall of short-term money market rates to near pre-crisis levels of 7.25 per cent.

But economists said the Bank of

France also wanted to signal that the pressures facing the currency had eased.
"They want to show that things are returning to normal and the dust is set-tling" said Mr Christopher Potts at Banque Indosuez in Paris.

The franc took the move in its stride,

closing a little weaker at FFr3.485, against FFr3.478. Most currency analysts said that the franc remained vulnerable. They said the foreign exchange markets were

> Continued on Page 14 Lex, Page 14 Currencies, Page 23

### Tough capital standards set

# EC rules put smaller UK investment firms at risk

By Norma Cohen in London

**HUNDREDS** of UK investment firms may be forced to either raise more capital or change their business activities because of a European Community directive set to take effect at the end of 1995.

The EC's capital adequacy directive will require any firm doing what Brussels defines as investment business in Britain to meet the new capital standards. This week, the Securities and Investments Board, the City's chief regulatory watchdog, and the self-regulatory bodies which oversee the industry directly are writing to member firms to explain the requirements and to

"These rules are not optional," said an official of the Securities and Futures Authority, which regulates stockbrokers. "Either you are in this industry or you are out. You do not have to be opening offices in Frankfurt or

Paris to be affected."

seek details about their current

The UK has vigorously urged that the EC adopt capital requirements more like its own over the five years that the directive has been debated in Brussels. However, the EC has been under pressure, particularly from

minimum capital requirements. The rules are a prelude to the European "passport" which firms may now hold in order to conduct cross-border activities.

The rules will for the first time

force UK firms to hold an initial amount of capital, ranging from £39.000 to £560,000 depending on the nature of the business.

Firms will also have to maintain enough capital to cover their fixed overheads for 13 weeks and capital to cover risks associated with their trading position. While large securities firms

already must meet broadly equiv-

alent rules, smaller financial advisers and fund managers have lower requirements. It is this cat-egory of firm which is likely to be most affected by the new rules.
"There will be more firms who have to lock up more capital than they do now," said an official at

Imro, the self-regulatory body for fund managers. The Treasury is being urged to interpret the Brussels directive iberally. Securities regulators are urging that firms be allowed to apply their capital simultaneously against any of the three categories of capital requirement.

But even with a liberal interpretation of the EC directive, officials at the self-regulatory bodies believe that a significant minority of firms may not meet the standards. Those which think they may not will be invited in a letter later this week to apply for "grandfathering".

Grandfathered firms will find their minimum capital require-France and Germany where investment business is largely ments rising steadily if they remain profitable and may find it conducted by banks, to set high a constraint on their ability to extract as much profit as they like from the firm before the EC threshold is met.

> Securities industry faces demands from Brussels, Page 7



Police move into a black township near Cape Town after youths rioted in support of striking teachers

### South African jobless rate reaches 46% after four-year recession

By Patti Waldmeir in Johannesburg

recession has left nearly half the economically active population without work in the formal economy, according to the annual economic report of the South African Reserve Bank (central bank), published yesterday.

The Reserve Bank said 46 per cent of the labour force were either unemployed or involved in the "informal sector", which involves very low-paid activities such as street hawking.

It was the first accurate offi cial estimate of national unemployment, which the Reserve Bank said had risen from 39 per cent in 1988. Private sector economists say previous official figures seriously underestimated problems of unemployment and underemployment.

Per capita income figures have also suffered, with annualised income per capita, at R3,200 despite the fact that GDP grew (\$950) in 1985 prices, no better by 5.1 per cent in the second than the level reached in 1971.

when it peaked in 1988. After having declined consistently since the fourth quarter of 1989, economic output rose sharply in the first half of 1993, leading the Reserve Bank to conclude that economic activity had finally levelled off. This did not,

however, indicate the resump-tion of significant growth,

quarter of this year was 13.5 per

cent lower in real terms than

quarter and 1.4 per cent in the

The improvement was attributable almost entirely to increased agricultural production, with non-agricultural sectors stagnant in the first half of the year. Business cycle indicators were "not yet showing any clear signs of an imminent upturn in economic activity," the bank said. The bank noted that labour

Continued on Page 14

### VW chief presses **Bonn** over Opel 'spy' dispute

By Christopher Parket in Frankfurt

MR Ferdinand Piech, Volkswagen chairman, yesterday step-ped up his attempt to draw the Bonn government into the clash with Adam Opel, General Motors' German subsid

iary.

He is understood to have telephoned Mr Günter Rexrodt, economics minister, for a "continuation" of face-to-face talks held in Berlin last Friday.

Although the contents of last week's meetings were secret the minister met Mr David Herman, Opel chairman, on Tuesday - Mr Rexrodt said at the wee end he was "optimistic" he could tone down the war of words.

He appears to have accepte the role of mediator despite his initial claims that that he wanted

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only to gather information.

Mr Rexrodt is auxious that the inter-company conflict does not blow up into a clash between

Washington and Boan.

The minister's "optimism" suggests Mr Piëch and his colleagues are prepared, at a price, to apologise publicly for claims that Opel was acting as agent provocateur VW and could have planted evidence with the aim of incriminating its employees.

In return Mr Piech is expected to demand that Opel officials stop all press communications on their suspicious and the criminal investigations against Mr José

Continued on Page 14 Brazilians use the Beetle for trip into past, Page 3

#### BANKING CLIENTS HAVE ALWAYS EXPECTED OUTSTANDING PERSONAL SERVICE. TODAY THEY FIND IT WITH US.



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#### Euro Disney vice-chairman to return to US parent company deeply in the red, has been forced Euro Disney said yesterday

By Alice Rawsthorn in Paris

JOHN FORSGREN, vice-chairman of Euro Disney, plans to leave the troubled European leisure group to return to an unspecified position with Walt Disney, its US parent company. Euro Disney, which has this

summer been troubled by controversy about its financial performance and future prospects, confirmed that Mr Forsgren would be returning to the US. However, it said that details of the move and of his new role at Walt Disney had not yet been finalised and that in the meantime he would remain as its vice-chair-

The departure of Mr Forsgren, one of Euro Disney's most senior executives and finance director at the time of the opening of the lavish Euro Disneyland theme park in April last year, comes at a highly sensitive time for the company. Euro Disney, which is burdened by heavy debt and

to ask Walt Disney for financial support while it tries to restructure its finances. Mr Forsgren, 46, joined Euro

Disney in January 1990 to help orchestrate its launch. He joined the company after four years as treasurer of Walt Disney, which owns 49 per cent of the European In April this year Mr Forsgren

was replaced as Euro Disney's finance director by Mr Mike Montgomery, another former Disney treasurer. Mr Montgomery has taken charge of financial affairs reporting directly to Mr Philippe Bourguignon, chalrman, and has played a leading part in the preparations for the financial

restructuring. Mr Forsgren has been vicechairman since April. Euro Disney said at the time of his appointment that he had been promoted to take charge of its relations with the investment

that Mr Forsgren's return to the US was part of the routine process of repatriating US executives. Mr Forsgren, now at his holiday home in Connecticut, has spent most of the summer in the US. Euro Disney said he had taken "several weeks holiday".

Euro Disney's share price, which fell sharply last week when investors panicked after press speculation about the group's problems, tumbled from FFr56.80 to FFr54.50 when the market opened yesterday morning after further speculation in the weekend press. The shares recovered during the day to close at FFr56.00.

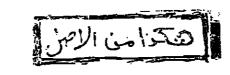
Analysts attributed the share price fall to nervousness among investors. "The response is purely psychological," said Ms Rebecca Winnington-Ingram, leisure analyst at Morgan Stanley in London. "Euro Disney is in a dire situation and investors are

and political communities.

Int. Bond Service

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO



By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl and Mr Rudolf Scharping, recently-elected leader of Germany's opposition Social Democrats (SPD), met behind closed doors yesterday for wide-ranging talks, fuelling press speculation that they will be forced to form a grand coalition after next year's elections. Both political leaders have flatly rejected the idea, each insisting that he is campaigning for outright victory, but the very fact that they are pre-pared to meet and talk privately has stoked the over-

heated rumour mill in Bonn. The meeting underlines the fact that both men belong firmly in Germany's tradition of consensual politics, where cross-party compromises are the regular answer to resolving their conflicts. It also confirms Mr Scharping's style as the new opposition leader, in which he is determined to demonstrate that his party is capable of becoming an alternative

The talks, the first since Mr

minutes and when he emerged Mr Scharping said they covered "everything currently on the political agenda".

They were set to discuss the current state of the German economy, and how to stem the rapid rise in unemployment and revive ailing east German manufacturing industry. In spite of the fact that both signed the cross-party solidar-ity pact last March on financing unification, both are now keen to stress their different economic policies.

There is room for manoeuvre on the issue of German participation in UN peacekeeping exercises. Mr Scharping is clearly attempting to push his party, with a strong anti-military, pacifist wing, into permitting wider international participation for the Bundeswehr The SPD and Mr Kohl's Christian Democrats are condemned to reach compromises on any issues which require changes in Germany's strict constitution - such as privatisation of state companies, including Deutsche Telekom

and the railways. They also

have to negotiate on issues which require the approval of the Bundesrat, the upper house of the German parliament. where the SPD has an effective majority.
Mr Kohl therefore needs Mr

Scharping's support if he is to gain approval for his entire package of budget cuts, although the majority can be passed by the Bundestag, the lower house, alone. He also needs support for plans to launch a new social security system to pay for residential care for the old and handicapped: the government's current project to finance the scheme by cancelling paid sick leave for workers has been furiously opposed by the

They also needed to discuss three key appointments, including the election of a new federal president to succeed Mr Richard von Weizsäcker next

Mr Klaus Kinkel, foreign minister and leader of the Free Democrats, who would be excluded from any grand coalition, said he would meet Mr Scharping on Friday.

# Kohl and Scharping | France gets its cake, and eats it

Alice Rawsthorn and John Thornhill on limiting and attracting foreign investment



MRS Pamela free to buy shares on the open Harriman, the ambassador to France, is an unashamed Francophile,

she aired a rare grievance against the French government by complaining about the restrictions on foreign investment in its privatisation programme.
The object of Mrs Harriman's criticism was the amendment

to the government's privatisation bill to limit investors outside the European Community to a maximum of 20 per cent of the shares in privatised The US lobby argued that

the 20 per cent rule was a pro-tectionist measure reminiscent of the traditional constraints on foreign investors in the French financial markets. The amendment survived and is now enshrined in the legislation which will shape the new privatisation programme. The 20 per cent rule

is really an irrelevance, given

that it only applies at the time

of the original issue and

non-EC investors will then be

market. as an apt illustration of France's ambivalent attitude to

privatisation. The French are undoubtedly keen to attract investment from foreigners and to enhance Paris's status as an international financial

centre. . Yet they are still anxious to protect privatised companies from the rigours of life in the private sector, particularly from the threat of "foreign predators", whether they are from inside or outside the Community. One of the main achieve-

ments of the last centre-right government's 1986-1987 privatisation drive was its success at attracting foreign investment. Until then it had been difficult for foreign investors to buy shares in France given that so many large companies were privately-owned or statecontrolled.

The privatisations gave investors away into the Paris market at a time when the UK pension funds were pursuing an aggressive policy of interna-tional investment. The proportion of French shares in foreign hands has since increased steadily, from 21 per cent to 28 alone, according to the Bank of

At first glance it looks as though it might be more difficult for the French to attract foreign investment in the new round of privatisations.

First, the financial prospects for French companies are more precarious than they were in the buoyant mid-1980s. At the same time, the privatisation market is more competitive, with an estimated \$100bn (£67bn) of state shares currently scheduled to come on to the market in Europe.

econd. whereas foreign investors needed to build up French portfolios in the mid-1980s, they now have substantial French holdings. Warburg Securities estimates that the Paris Bourse represents 23 per cent of the value of all continental Europe equities, but 26 per cent of the average continental portfo-

However, most brokers and bankers are confident that foreign investors will be willing to increase their commitment to France in this autumn's

at the moment and many European investors, particularly in the UK, are already overweight in France, but there is still strong interest in many of the companies scheduled for sale," said Mr David Harrington, equity strategist at James Capel in Paris.

Interest from the US is also likely to be high given that many institutions are in the throes of "internationalising" their portfolios, just as their UK counterparts did during the last privatisation drive. There are even hopes of a strong response from

Japanese investors are interested in France, interested in privatisation and, at this time in the cycle, it is a good time to buy," said Mr Alain Cellier, chief executive of Nomura in France. "There is only one caveat - the strength of the yen."

The recent fall of the franc and the rise of the Paris stock market - the CAC 40 Index ended last week at a record 2.149.83 - should make French appealing. It might also lessen the risk of foreign investors switching cash from existing French holdings into privatisation stocks by persuading them to bring new money into

France.
However, this influx of foreign funds does not seem likely to trigger the tidal wave of takeover bids that the traditionalists in French finance

The 20 per cent rule is probably the least effective of the government's defensive ploys. The others include plans to assemble networks of sympathetic noyour durs, "hard core" investors, to support the newly-privatised companies and to introduce "golden shares" to some stocks. thereby enabling the state to block takeovers indefi-

nitely. The experience of the last batch of French privatisations suggests that such measures may not be necessary. The only one of the mid-1980s privatisations to have come under attack was the bank Société Générale, in an unsuccessful raid mounted in 1988 by Mr

### Consumer confidence at low ebb in the EC

CONSUMER confidence dropped to record lows in the European Community in June, after slight signs of recovery the previous month, the European Commission said yesterday. Reuter reports from

The drop took the EC's measure of consumer confidence back to the level recorded in March and April.

The loss of confidence is particularly discernible in Spain, Italy and Portugal," the Commission said, adding that Spain and Portugal recording new lows.

"Taking the average for the Community, consumers view their current and future financial situations more pessimistically in June than in previous

"They are even more sceptical about the general economic situation: well over half were of the opinion rated further in June compared with the same month last

The Commission said there was also a distinct absence of cheer from consumers looking

at the next 12 months. As a result of recession, industry, too, saw the future as gloomier, the Commission said.

The leading economic indicator for the European Community also dipped to a record low in June after a slight rise in May, losing 0.5 of an index point to 95.6, the Commission said. The previous record low of 95.7 was set in

**Kurds** 

forced to

free UK

tourists

attention to their separatist

campaign in Turkey's south-

A diplomat said the Britons,

a man and woman, were seized at a rebel roadblock near the

province on Sunday evening.

them to walk into the moun-

by two Turkish hostages.
They spent the night in the

loose in the morning when

security forces fired on the

area, making their way to the

Security forces killed eight

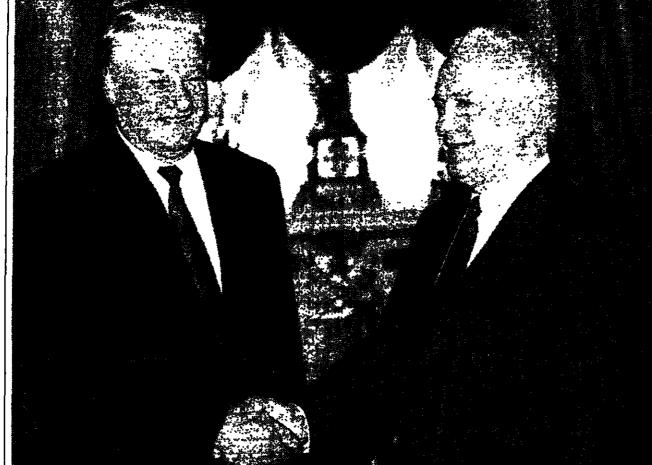
kidnappers, the emergency rule governor's office said.

The PKK has abducted a

On August 10 the rebels

separate kidnappings in July.

town of Batman.



Russian President Boris Yeltsin and Georgian leader Eduard Shevardnadze meeting at the Kremlin to ease regional tension

### Yeltsin, Shevardnadze agree pact

THE Russian president, Mr Boris Yeltsin, and the Georgian leader, Mr Eduard Shevardnadze, agreed yesterday to sign a comprehensive treaty restoring peace in war-torn Abkhazia, agencies reported, Reuter reports from Moscow. Mr Shevardnadze told the

friendship and co-operation agreement between the two former Soviet republics would be signed in September in the Georgian capital, Tbilisi, after a final round of talks.

"Both of us have expressed satisfaction with the first steps towards a ceasefire and the terms for a final settlement of

quoted Mr Shevardnadze as saying. The two leaders also discussed ways of helping about 140,000 refugees, who fled the breakaway Abkhaz to return home safely, it said. Mr Shevardnadze said repatriation of refugees was "per- and Abkhazia.

the conflict," the agency haps the most acute problem" after last month's ceasefire in the conflict. He added that the future Georgian state would be determined by a new constitution. Russia, which has strateregion over the last 12 months, gic interests in the Transcaucasus, helped to mediate the peace deal between Georgia

### Itar-Tass agency that the War of words over Baltic pull-out

and Matthew Kaminski in Vilnius

THE WAR of words between

Russia and Lithuania grew more heated vesterday, after KURDISH rebels kidnapped Moscow abruptly broke off two British tourists from a bus talks at the weekend and in south-east Turkey but later suspended its troop pull-out abandoned them when they themselves came under fire from the Baltic state. President Boris Yeltsin's spokesman warned Lithuania

from government troops yesterday, Reuter reports from against seeking to apply international pressure on Russia to The Kurdistan Workers stick to an earlier agreement to Party (PKK) was still holding withdraw its troops by the end seven other tourists - three Swiss, one Italian, two Ger-The striving to inflict presmans and a New Zealander seized this month to draw

AZERI troops yesterday pulled

sure through a third country can only cause a negative reac-tion." Mr Vyacheslav Kostikov was quoted as saying by Inter-

fax news agency.

Lithuania appealed for international help after the Russian foreign ministry issued a surprisingly harsh statement telling Lithuania it no longer considered itself bound to complete a troop pull-out by August 31. Russia said it would withdraw over a period which was "convenient to it" and which Lithuania would be informed of in due

The statement accused Lith-

ment and hinted it was annoyed by Lithuanian demands for compensation for damage done by five decades of

Soviet occupation.
"Democratic Russia is not responsible for the totalitarian repression of Stalinism. It suffered itself," Mr Kostikov said. While only 2.500 Russian soldiers are left in Lithuania, mainly support staff based in the western port city of Klaipeda, Lithuanian officials said they feared Russia might bring back more troops to strengthen its position.
"We are prepared for the

Paleckis, an adviser to President Algirdas Brazauskas. The left-leaning Lithuanian

government, surprised by the Russian move, had refrained from joining in the sharp criti-cism made by the nationalistic opposition, led by Mr Vytautas Landsbergis. Mr Brazauskas, who won

February's presidential elections promising to maintain good relations with Russia, appealed for calm in a tele-vised speech on Sunday night. He also expressed a desire to compromise, without condemning the Russian step.

### UN tries to open way to Mostar for aid convoys

By Laura Silber in Beigrade

UNITED Nations officials yesterday were trying to per-suade besieging Bosnian Croat forces to let through convoys carrying food to tens of thou-sands of Moslems trapped in Mostar, in southwestern Bos-nia-Hercegovina.

The Croatian Defence Council (HVO), the Bosnian Croat army, has prevented relief supplies reaching some 55,000 people in the east of the city who have little food and water. Eleven lorries were waiting yesterday for HVO clearance to deliver 120 tonnes of food.

Conditions in the area were described as "alarming" by Miss Lyndall Sachs of the UN High Commissioner for Refugees, who added that people could die of starvation within

"We very much hope that Wednesday will be the day that the HVO finally decides they are no longer going to be bloody-minded and they will through," Miss Sachs told reporters in Sarajevo. In order to gain access to the about 17.5 per cent, while 28 staff.

heavily damaged eastern part of Mostar, relief officials said they would have to give an equal amount of aid to the mainly Croat inhabitants of the western side of the city.

Bosnia's President Alija Izetbegovic yesterday appealed in
a letter to the UN Security

Council for urgent help in order to avert a "true catastrophe" in Mostar. His parliament was due to meet on Friday to consider a

compromise plan to divide Bosnia put forward by the international mediators Lord Owen and Mr Thorvald Stolt-In an apparent sign that the parliament might reject the

proposal, Radio Sarajevo yes-terday broadcast statements from officials of several Bosnian towns opposing the plan. Mr Izetbegovic has already said he could not "recommend" parliament to accept it. For their part, Bosnia's Croat and Serb leaders have welcomed the proposal, calling it a compromise which could the plan Serbs would get about the biggest ethnic group before the war, comprising 44 per cent of the 4.35m popula-

In Zagreb, site of the UN headquarters in the former Yugoslavia, Mr Kofi Annan, UN undersecretary for peacekeeping operations, yesterday met officials of countries which have supplied peacekeeping troops. A UN spokes-man there refused to say whether Mr Annan was seeking commitments to increase contributions if a settlement

were agreed in Bosnia. Mr Stoltenberg has said the plan would require about 40,000 troops, some 25,000 more than are now escorting aid convoys. He was last night due to brief the Security Council on the latest developments

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The Conference on Security and Co-operation in Europe vesterday criticised Serbs for increasing ethnic tensions within former Yugoslavia, cit-54 per cent of Bosnia, Croats harassment of local CSCE

### Brussels to probe service monopolies at airports

By David Gardner in Brussels and Ronald van de Krol

THE European Commission is investigating complaints from Europe's leading airlines against monopolies providing ground-handling services at airports in Milan, Frankfurt

and across Spain. The complaints, filed by Air-France, Alitalia, British Airways, KLM, Lufthansa, SAS and Sabena, could induce Brussels to bring forward deregula-tion proposals for such services as airport baggage handling and refuelling, analogous to the legislation liberalising air transport introduced in the

past six years. The airlines complain that at a time of unprecedented losses and growing competition as a result of the EC's "open skies" policies, they are subject to high handling costs on the ground, at airports which operate monopolies. "Liberalisation in the air should be followed

by liberalisation on the ground," a statement from KLM said yesterday.

The European Commission would only confirm yesterday that it was investigating three complaints it had received in the last month. Industry sources said there had been more than a dozen complaints. KLM said that the Italian, German and Spanish airports cited in the EC action had

attracted the most complaints from European airlines. But there were also other airports in Europe where competition in ground-handling was nonexistent or extremely limited, a KLM spokesman said. He declined to name other airports but said he that if all European airports charged the

same rates as Schiphol in Amsterdam, then KLM would save roughly Fl 25m (£8.7m) a year in ground-handling charges. These charges at airports where a monopoly is in than at airports which allow a

carrier said.

In the cases of Frankfurt Milan and the Spanish airports, KLM is allowed to have KLM personnel behind the check-in counters, but it is restricted in how it deploys its own staff.

Ground-handling includes not only passenger check-in but also cargo handling and aircraft refuelling.

A spokesman for the Euro-

pean Commission said Brussels expected a response to the complaints from the handling companies in the next three to four weeks. Officials refused to comment on the likelihood of any action to dilute the monop-

But EC diplomats remarked that at a time when Brussels was enforcing competition on hard-pressed airlines, and cracking down on state aid to flag carriers, it would be hard for the Commission to resist their demands for more competition in ground services.

## Azeris lose key town

town of Kozluk in Batman out of a key town near the Iranian border yesterday in another victory for Armenian forces from the disputed Their kidnappers forced enclave of Nagorno-Karabakh. tains, where they were joined Reuter reports from Moscow. Spokesmen for both the rebels' hands but were turned Azerbaijan Defence Ministry and the Nagorno-Rarabakh administration said the defenders withdrew overnight from Fuzuli, a town of 40,000 people under siege for days by Armenians occupying the hills on three sides. The latest victory guerrillas in clashes with the brought the Armenians closer to cutting off the entire southtotal of 27 foreign tourists western corner of Azerbaijan, since 1991 but has released all unharmed, except the seven. home to some 200,000 people.

and risked angering neighbourfreed four Frenchmen, a Briton and an Australian taken in two The Iranian border is just 25km from Fuzuli and the fighting has sent tens of thou-

sands of refugees fleeing towards it. Iran denounced the Armenian offensive last week, saying it believed in the territorial integrity of Azerbatian. Fuzuli is the third big town just outside Nagorno-Karabakh seized by the Armenians in

the east and Cebrayil further to the south-west. The Azeris say they recaptured Cebrayil at the weekend. The Armenians, whose military advances have fuelled political turmoil in Azerbaijan. say they have to drive back the Azeri troops to protect Kara-bakh from shelling. The Azeri Defence Ministry said the Armenians had entered Fuzuli after the withdrawal. But a spokesman for the Nagorno-

Karabakh administration said

its forces were holding back.

The Karabakh spokesman said Azeri military aircraft had bombed villages in the Martuni and Gadrut districts of Karabakh overnight, killing five civilians and wounding 17. An Azeri Defence Ministry

spokesman denied the report. This is false information," he said. "The Armenians report Azeri air-raids while taking Azeri towns." Conflicting reports of the fighting have been a notable characteristic of the five-year-old conflict. which has taken several thou-

Armenia officially denies taking part in the war. although it supplies diplomatic support for the enclave's claim independence and the Kara. bakh Armenians obtain arms andvolunteer soldiers from NKr600m package hangs on election outcome

### Oslo to boost industry

By Karen Fossii in Osio

NORWAY'S minority Labour government is planning to introduce a package of measures, valued at an estimated NKr600m (£55m), in an attempt to create jobs, boost the competitiveness of the country's industry and increase non-oil exports.

The extra funds will be included in the 1994 budget, which is due to be presented on October 13 if the present government retains power after the general election on September 13. Mr Finn Kristensen, the industry and energy minister, made the announcement during a campaign speech in Molde on the west which has been particularly hard hit in recent years by unemployment and company bankruptcies. Norway's unemployment

rate is currently running at a record 8 per cent, including those on government job training schemes. Along with pro-posed membership of the Euro-Community, unemployment is the single biggest issue in the election Key measures in the package

• Abolition of corporate electricity taxes, saving industry an estimated NKr265m annually. Last December the government abolished the tax for energy-intensive industries and the pulp and paper sector, whose competitiveness had been eroded after Sweden and Finland had in effect devalued their currencies.

 NKr176m for measures to help industry increase exports and enter rapidly expanding Asian markets. NKr100m to finance devel-opment projects in third world

countries in which Norwegian companies will participate. Of this total, about NKr40m will be in export credits to sell domestic goods and services. Other funds will be allocated to research and development contracts in the private and public sectors and education. A

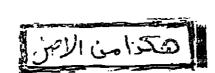
project called "Invest in Nor-

way" will promote the benefits

of establishing operations in

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Public given access to secret files in attempt to quell suspicions

'Barefoot doctors' wage war

on Brazil's other child killers

army on foot, donkey, canoe

or bicycle in poor north east

### Kennedy assassination archive opens

By George Graham in Washington

IT is the ultimate treasure trove for historians, journalists, conspiracy theorists and Kennedy-worshippers: 800,000 pages of documents relating to the 1963 assassination of President John F Kennedy, released

to the public yesterday. The huge archive was opened for inspection in Washington nearly 30 years after Mr Kennedy's death, following a bill passed in Congress last year that ordered the disclosure of almost all government

zil into the headlines, but the

lives of many more children are being claimed by a lower-

profile killer. Victims of a woe-

ful lack of basic sanitation and

inadequate food, 30,000 infants

die each year in the country's

impoverished north east for

want of minimum health care.

zilian authorities have failed

dismally to provide basic ser-

vices, one of the country's

poorest states is showing that

with the political will it is pos-

sible to improve the situation. In just three years the north

eastern state of Ceara has

slashed infant mortality by a

third through a cheap and sim-

ple project of door-to-door basic health assistance.

May with Unices's Maurice

Pate prize - the first time the

award has gone to a state

rather than an institution. Mr

Agop Kayayan, Unicef repre-

sentative in Brazil, describes

the Ceara project as "a model

not just for Brazil but for the

Every day throughout Ceara

an army of health agents sets

out by foot, donkey, canoe or bicycle, wearing white shirts

marked with blue crosses and

carrying rucksacks containing

scissors, soap and portable

scales. Most are young women,

many are semi-literate, but

they criss-crossthousands of

miles of scrubland like lat-

ter-day missionaries bringing

health care to people who have

never seen a doctor in their

in the small town of Man-

guarape, 24-year-old Mariluce

Oliveira da Silva is doing her

rounds. Entering a wattle and

daub shack where a family of

seven live amid squalor, she

reminds the mother to wash

the children's hands and keep

Using a sling scale she weighs the seven-month baby

and marks his progress on a chart. Noticing that it is dan-

gerously near the red warning

line for severe malnutrition,

she stresses the need for

breast-feeding and explains

how to mix re-hydration salts

to cure diarrhoea - the biggest killer of young children. The scheme was created in

Newport

their bair and nails clean.

Its efforts were recognised in

While for the most part Bra-

These include most of the few files which have not yet been published from the Warren Commission, which investigated the assassination under the chairmanship of former Chief Justice Earl Warren, as well as documents from congressional committees and 90,000 pages from the Central Intelligence Agency.
Early finds in the CIA

records include a secret internal memorandum speculating that the Soviet Union had most to gain from the assassination, although offering no evidence of Soviet involvement. The Warren Commission's

THE brutal killing of eight street children in Rio recently thrust Bra-

at about 100 per 1,000, he

ordered a survey which found 48 per cent of the deaths of

young children were caused by

de-hydration from diarrhoea.

Although the real cause was

lack of sanitation, which

requires heavy investment, its

effects can be easily cured

through oral re-hydration ther-

apy - a packet of salts costing

Helped by Unicef and under

the direction of Mr Carlil

Lavor, a hygienist familiar

with the barefoot doctors

scheme in China, a programme

was set up to train 3.000 health

agents in hygiene, prenatal

care, re-hydration therapy, vac-

cination and breast-feeding.

Each agent attends about 150

families for a monthly salary

of \$60 (£40), reporting every

month to a trained nurse in a



photograph of the fatal

central conclusion, that Mr Kennedy was killed by Lee Harvey Oswald acting alone, has been backed up by most serious inquiries since then,

In the first three years infant

mortality was reduced by 32

per cent from 95 per 1,000 live

births to 65 and Ceara has gone

from last place among Brazil-

ian states in terms of percent-

age of children vaccinated to

first. Moreover, the scheme

provides work in a state where

40 per cent of the working pop-

ulation are unemployed or

is that this was carried out in

Brazil's third poorest state and

one which was completely

bankrupt when Mr Jereissati

took office as well as suffering

the harshest drought this cen-

tury. More than half the 6.6m

population have no sewers or

running water and two thirds

But Mr Jereissati points out

live below the poverty line.

The most remarkable thing

under-employed.

with the exception of a 1979 House of Representatives select committee chaired by Mr Louis Stokes, an Ohio Democrat, which found that a second gunman probably fired at Mr Kennedy and missed.

Most recently, pathologists and doctors who examined Mr Kennedy's body in Dallas in 1963 reaffirmed in the Journal of the American Medical Association their original finding that the president was struck by only two bullets, one of which caused the head wounds that killed him. Both were fired from above and behind,

that the real problem in Brazil is not money. "Our achieve-ments were far less to do with

resources and far more to do

with changing the posture of the administration and involv-

ing the community. When I

took office we found vaccines

Mr Kayayan says that the

Ceara government is probably

saving money: "There is no

comparison between the 30

cents needed to cure an attack

of diarrhoea or \$5-\$10 for a

complete set of vaccines and

the cost of a child occupying a

Although the health agents

are paid by the state govern-ment, they are chosen by the

communities, a revolutionary

idea in a still feudal state. Such

a break with convention made

the scheme difficult to imple-

from politicians who resented

the loss of patronage and thus

One mayor even greeted the

To give the idea credibility.

they involved the church, uni-

versity and paediatric society

on the basis that if the priest

and the doctor say it is good, it

Even so, some of the local

population were unhappy at intruders coming into their

houses and health workers felt

uncomfortable lecturing about

hygiene when families obvi-

ously had no food in the house.

hedo, who co-ordinates a team

of 80 agents in Manguarape,

ople are on very low incom

to do a lot because they have

very little knowledge about

such basic things as brushing

teeth, keeping hair clean, not

leaving faeces on the ground

and which foods are most

Success has bred accentance

and the new governor, Mr Circ

Gomes, a political ally of Mr

Jereissati, has expanded the

scheme to 7,300 agents attend-

Describing them as "Ceara's

guardian angels", he says their

value became clear during the

recent cholera epidemic as

they were able to catch cases

But Nurse Madalena Pin-

must be.

nutritious."

ing 4m people.

control over the electorate."

co-ordinators with a revolver.

"We met lots of resistance

ment, Mr Jereissati says.

rotting in stores."

hospital bed."

ion has never accepted this verdict, preferring a series of theories involving a second assassin, as well as Cuban, Russian, Mafia or CIA backing for Oswald. Oswald himsel

was shot before standing trial. Even in the 1980s opinion polls showed two thirds of those questioned believed there was a conspiracy to kill Mr Kennedy, compared with only 13 per cent who believed Oswald acted alone.

Mr Oliver Stone's film JFK last year brought a new inten-sity to the already thriving conspiracy industry.

### Argentina accuses UK on US radar sale

ARGENTINA yesterday accused Britain of trying to block the sale of advanced US tactical radar for its air force, but predicted that the effort by its former foe would fail, Reu-ter reports from Buenos Aires.

"The pressure from Britain is there, but we think it is being overcome," Mr Fernando Petrella, deputy foreign minis-ter, told a radio interviewer. We hope it will not succeed."

He was commenting on a report in the daily Clarin which said London was pressing Washington to ban the sale of advanced radar to equip three dozen ageing Skyhawk fighter aircraft.

Mr Oscar Camilion, the defence minister, made similar charges in a separate radio interview, blaming London for what he described as US reluctance to allow Argentina to purchase the radar together with the aircraft. "The objections are coming

from the US State Department... this is apparently due to British pressure," he said. The British embassy in Buenos Aires declined to comment Argentina is buying the Sky

hawks from the US to replenish its forces decimated during the 1982 conflict with Britain over the Falkland islands. The two countries re-estab

lished full diplomatic links in 1990. Mr Douglas Hurd, UK foreign secretary, visited Buenos Aires in January and his counterpart Mr Guido di Tella is says: "It's possible even when | due in London later this year.

National Opposition Union (UNO) leader Alfredo Cesar is used as a human shield at UNO headquarters by pro-Sandinista gunmen

HOPES rose yesterday of an

northern Nicaragua.
In a stand-off which reflects
the bitter divisions left by the country's brutal eight-year civil war, armed gangs of the left and right are holding more than 40 officials, politicians and journalists at two sites in different parts of the nation.

Contra rebels in the remote northern village of El Zungano freed 20 of their 38 prisoners late on Sunday after talks with envoys including Organisation of American States representative Mr Sergio Caramagna.

Mr Caramagna said he

agree end to Valdez blockade

Fishermen

ALASKA'S Valdez oil terminal opened again yesterday after fishermen agreed to end a blockade provoked by their complaints that the effects of the 1989 Exxon Valdez oil spill had devastated their salmon

Mr Bruce Babbitt, US interior secretary, intervened in the dispute on Sunday, harshly criticising Exxon, the oil giant, for refusing to meet the fisher-

He also persuaded the protesters to move their fishing vessels from the Valdez narrows, where they had prevented at least seven oil tankers from docking to take on Alaskan crude oil.

The Alyeska pipeline which ends at Valdez handles about a quarter of US crude oil produc-

Mr Babbitt also promised action at a meeting in Anchorage yesterday to clean up the operation of the \$900m (£604m) trust fund set up with Exxon money after the Exxon Valdez

The fund, administered by federal and Alaskan officials, has been harshly criticised in a new report from Congress's General Accounting Office, which found that most of the \$200m it had spent so far had gone to reimburse state and federal agencies, and Exxon itself, for past clean-up work, and for administrative and

legal expenses The GAO said the trust fund had approved projects which "either do not appear to be directly linked to the oil spill or appear to duplicate existing responsibilities of federal and

state agencies" Congressman George Miller, who commissioned the report, added that "the bureaucrats gave top priority to feathering their own nests with reimbursements and goldplated studies of questionable

K.B.

merit." Mr Babbitt promised he would urge the fund's trustees at yesterday's meeting to devote more money to buying land to protect the rivers where salmon spawn.

Exxon said no scientific link had been established between this year's low pink salmon catch and the 11m gallons of oil its tanker spilled into Alaska waters when it ran aground in 1989.



### Twenty hostages freed by Contras

politicians who had travelled to El Zungano to try to per-suade him to lay down his

He originally demanded the

firing of armed forces chief General Rumberto Ortega and presidential chief-of-staff Mr

Antonio Lacayo, whom he

accuses of plotting to allow

the former governing Sandin-

istas to continue ruling Nica-

ragua despite their 1990 elec-

tion defeat by President

in Managua, a group of

around eight pro-Sandinista gunmen retaliated on Friday

against Mr Talavera's hostage-

taking by seizing the head-

quarters of the conservative

National Opposition Union

Violeta Chamorro.

end to Nicaragua's hostage crisis after rival groups of gunmen freed some of their prisoners, officials said, Reuter reports from El Zungana,

A group of former US-backed

(UNO) party, taking prisoner Nicaragua's vice-president Vir-gilio Godoy and several dozen hoped the rebels, led by for-UNO leaders. mer Contra José Angel Talavera, alias El Chacal (The The group freed 14 prisoners Jackal), would free the rest of on Saturday and two more on their hostages shortly. Sunday. However they also Last Thursday Mr Talavera took about eight journalists seized 38 government officials, hostage on Sunday. sleep in all the bedrooms. I know them well.

# early and stop the disease The greatest accolade, perhaps, is that governors from three other north eastern states have asked Unicef to The "Fusca", as the Beetle is

#### 1988 by Mr Tasso Jereissati, a businessman elected state governor. Horrified by the infant mortality rate, which was Guardian angel: a health agent in the town of among the highest in the world where success has bred acceptance **New Ideas New Opportunities**

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Brazilians use the Beetle for trip into past

THE FILM Back to the Future relied on an out-dated De Lorean sports car for its trips through time, but Brazil yesterday started its own journey into the past with the relaunch of the Volkswagen Beetle, out of production since 1986.

ment in February between President Itamar Franco and Autolatina, the joint venture between Volkswagen and Ford which is Brazil's biggest vehicle maker. The president wanted lower-

The relaunch followed agree-

priced, "popular" cars, while Autolatina saw the chance for a publicity coup and a way to extract tax concessions from the government. The car was launched at a

ceremony yesterday in Auto-latina's largest Brazilian factory in São Paulo. It was attended by the president, several ministers and Mr José Ignacio López de Arriortua, Volkswagen's director of pro-The Beetle's popularity in

affordable to the middle classes

in the 1960s. It can also handle the country's battered roads and is easy to repair.

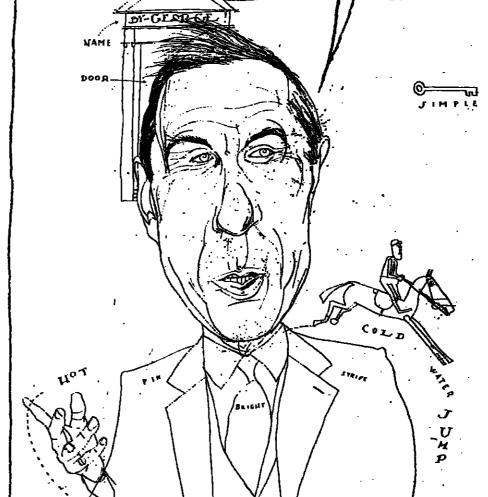
known in Brazil, has a newlyinstalled catalytic converter and electronic ignition. Otherwise it is almost identical to the old model which ceased production seven years ago. The relaunch has fired mixed emotions. Some businessmen have dismissed it as an unwel-

Brazilian car industry is trying to upgrade. The industry, which includes Fiat and General Motors, is expected this year to regain top of the Latin American

come irrelevance when the

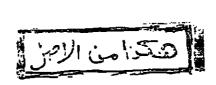
Autolatina's unions are sceptical of the relaunch, even though it will create about 8,000 jobs. They claim Auto-latina's total investment of \$30m (£20m) is small and the car's estimated sale price of \$7,200 puts it out of reach of

most Brazilians.
One union leader even grumbled that, given the money, he Brazil is partly sentimental. It would rather buy a Gol, was the first car to become another of Volkswagen's Bra-



The Goring Hotel. American Express Cardmembers welcomed since 1974. George Goring, owner. Cardmember since 1981.





# **Saudis** widen political horizons By Mark Nicholson in Calro

DIPLOMATS yesterday welcomed the naming of the 60 people who will sit on Saudi Arabia's new consultative council as the most important political change in the king-dom since it became a state more than 60 years ago.

King Fahd's weekend announcement, which fulfilled a promise made more than 15 years ago to open out his kingdom's secretive, family-run government, was welcomed as "remarkable" in the context of the Gulf's most powerful and conservative state.
"It's an important step," said

Mr David Gore-Booth, Britain's

The setting up of the Shoura council, as it will be known, will bring Saudi Arabia in line with other Gulf states, including Kuwait, Oman and Bahrain. These states have taken steps of varying degrees towards broader political par-ticipation since the Gulf war, partly because of the intense western scrutiny of their political systems which came with

The new Saudi council will be free to advise and criticise the government but has no legislative powers.
Its creation falls well short of

anything like a shift towards western-style democracy. Its members are appointed to their four-year terms by the king, who retains the final say in all policy decisions.

However, its constitution will allow the first institutionalised political participation for Saudis outside the royal family. "It represents a realisation

that you can no longer run a country which has had modernity thrust upon it with ancient methods," said one Gulf analyst. "It's an implicit dilution of absolute power."

In a further move to open up the kingdom's closely held government, King Fahd also announced that all ministerial terms would be limited to four years, subject to possible extensions. Saudi ministers have hitherto enjoyed almost indefinite tenure.

The list of council members is a broad and carefully balanced selection of academics. military men, journalists, doctors, businessmen, deputy ministers, lawyers, religious scholars and poets.

Few are well known outside the kingdom and many obscure inside it, reflecting the kingdom's lack of a public political culture.

More than half the new members hold doctorates, many from US or other western universities. Many observers feel that if not quite prowestern, the council as a whole is well acquainted with the west, "We can say that it's not entirely weighted in the direction of the conservatives," said one diplomat.

No date has been set for the first meeting of the new council, which will convene at least once every two weeks. It will do so in a building in Riyadh's diplomatic quarter which was completed, along with electronic voting equipment, in the late 1970s and has awaited a

# Algeria's PM is casualty of his 'war economy'

Francis Ghilès on the problems inherited by a new prime minister after the failure of the last one

URING the 13 months that ness to usher in essential economic he was prime minister of Algeria. Mr Belaid Abdessalam displayed a genius for putting people's backs up. His appointment, in the wake of the slaying of president Mohamed Boudiaf, owed much to his reputation for decisiveness, a reputation which he gained when he was Algeria's economic overlord from 1965 to 1978.

Mr Abdessalam was sacked at the weekend and replaced by the minis-ter of foreign affairs, Mr Redha Malek, one of the five members of the High State Council (HCE) which has ruled Algeria since the forced resignation of Mr Chadli Bendjedid in January 1992.

Mr Abdessalam's dismissal is the direct consequence of his unwilling-

reforms and broker an agreement with the International Monetary Fund. Both are essential if the spiral of economic decline, one of the chief causes of unrest, is to be reversed. Despite many brave words, Mr

Abdessalam's "war economy" has left the country's factories and finances in a more parlous state than a year ago. His campaign to clear out corruption and stamp out the black market has come to nil. Ordinary Algerians who believed his promise that their standard of living would not suffer from economic reforms feel betrayed.

The former prime minister proved only too true to his past. He re-imposed tight state control on foreign trade and refused to allow the

dinar, which had lost half its value between 1989 and 1991 - the two years during which Algerian leaders were implementing bold reforms aimed at liberalising their country's economy - to continue depreciating.

Massive injections of cash into state companies which remain unreformed has turned a budget surplus equivalent to 2.4 per cent of gross domestic product in 1991 into a deficit of 14.2 per cent this year, and pushed inflation beyond the 30 per Mr Abdessalam's policies have

ruled out any agreement with the IMF. The one-year standby agreement reached in June 1991 was scuppered in December that year. Officials at the IMF, the World

privately bemoaned what they felt was Mr Abdessalam's lack of understanding of economics. They regretted his suspension of key articles of the Law on Credit and Money which, in April 1990, opened Algeria to foreign investment and which, by December 1991, had led 131 foreign companies to sign joint ventures with planned investments of \$2bn.

as prime minister has been welcomed by senior European and US officials. He is known as an implacable opponent of the populist Islam propagated by the now banned Islamic Salvation Front (FIS).

he appointment of Mr Malek

Mr Malek knows that some kind of agreement with the IMF and Alger-ia's leading creditors, notably

France, is indispensable. His government is expected to seek a dialogue which would enable Algeria to loosen the noose of the country's \$26bn foreign debt. Servicing that debt absorbs three-quarters of export

The new French foreign minister, Mr Alain Juppé, gave public support to the Algerian leaders in their fight against the FIS earlier this summer. a reversal of the policy pursued by the former Socialist administration. Western countries appear to be prepared to turn a blind eye to the abuses of human rights so long as economic reforms are pursued. The growing violence in Egypt and the fear of the consequences of FIS propaganda among poor north African immigrants in France has made French politicians more cautious about castigating its former colony for being undemocratic indeed, Mr Malek has had some success in convincing US, French and Italian officials that an FIS victory would not isher in a period of democracy.

Unlike many of his peers, who professed to believe in democratic elections, Mr Malek never bothered to hide his contempt for what he described as the "demagoguery" of those, on both sides of the political spectrum, who professed to build a democracy out of the ruins of a single-party state overnight. He consistently argued that until the economy was reformed and the authority of the state vested in competent and cleaner hands, free and fair elections were a chimera.



A Khmer Rouge follower holds his child while seeking refuge near the Thai border. Cambodia's coalition government army had been shelling a rebel-held village forcing 540 villagers to flee

Hosokawa stresses quality

### Bitter fight under way to succeed Mahathir

Malaysia's prime minister, is an apparently fit and very active 68-year-old who shows no sign of retiring. But to judge by the bubbling cauldron that is Malaysian politics these days, it is as if Dr Mahathir, prime minister for the past 12 years, is already

preparing to go.

A bitter battle is developing over who will succeed Dr Mahathir. In November the United Malays National Organisation (Umno), the country's dominant political party and main grouping within the ruling Barisan Nasional (National Front) coalition government, holds elections for party posts. No one is likely to challenge

Dr Mahathir's party leadership. But the contenders are out for the post of party No 2. The theory is that whoever emerges as deputy will one day inherit the Mahathir mantle and with it power and influence over almost every sector of the nation's life.

There are two main candidates for the post, representing very different strands in modern Malaysia. The present incumbent and deputy prime minister, Mr Ghafar Babar, is the same age as Dr Mahathir, and is a long-time Umno stalwart, renowned for his contacts with the rural voters. Mr Ghafar describes himself

as "just a kampong [village] boy", lays no claim to great intellectualism but feels that he has earned, through hard work and loyalty to his leader, the right to succeed Dr Mahathir when the prime minister eventually retires. Mr Anwar Ibrahim, the finance minister and Mr Cha-

Kieran Cooke on the contest to be No 2

far's opponent in the contest, is a very different kind of politician. Still only in his mid-40s, Mr Anwar has had a meteoric rise through party ranks.

Suave and urbane, his conversation peppered with literary and scholastic references. Mr Anwar is said to represent the Malay baru or new Malay. modern in outlook, a man capable of carrying through the ambitious Mahathir vision of making Malaysia a fully industrialised nation by the year 2020.

Mr Anwar, declaring his candidacy yesterday, said he wanted to help make Umno a party of the 21st century. But to an outsider Malaysian politics seems very traditional. Politics is segregated along strictly racial lines: the Malays, who make up just over 50 per cent of the population, join Umno while other races, mainly Chinese and Indians,

have their own parties. While the Chinese still control a large slice of Malaysia's economic activity, the Malays, through Umno, are the political masters of the country.

Limno leaders deny the party is involved in business. But commerce and politics are closely related in Malaysia. Umno in particular has built itself up into a considerable business - as well as political force. The financial community talks openly of Umno-con-

Analysts of Kuala Lumpur's

thriving stock market look as much at who is in or out of political favour as they do at company balance sheets in assessing market performance. Mr Anwar's opponents say

the finance minister has raised a vast monetary war chest to further his cause: his supporters are widely credited with having engineered a M\$800m (£210m) management buy-out earlier this year of the country's biggest newspaper group and TV station. Opponents say national news is now increasingly favourable to Mr Anwar; Mr Anwar's supporters are also believed to be linked to a

company that has gained control of a MS3.5bn private power project, the biggest such scheme in the country. The finance minister has strongly denied the talk about political fund-raising and has

accused his rivals of spreading malicious gossip.
Dr Mahathir has chosen the role of elder statesman. He has insisted he is strictly neutral in the contest. But the prime minister has spoken out against

money politics. "It is the thin end of the wedge," he said. "Give a person 10 dollars and they will want more."

Dr Mahathir is also concerned about the damage a bruising contest between Mr to Umno unity. In 1987-88 a party split almost caused Dr Mahathir to lose power.

Political analysts say a general election is likely early next year, both to renew Dr Mahathir's mandate and also



Ghafar Babar (above) and Anwar Ibrahim: style contrast



to heal the political wounds that might be inflicted in the coming contest. . .

Malaysia is seen as one of south-east Asia's most politically stable countries - a key factor in attracting millions of dollars of foreign investment. Dr Mahathir insists stability will be maintained. "We [in Umno] are quite

Ghafar and Mr Anwar will do rational people .. we don't have that kind of very violent antagonism towards each other or total inability to work with each other" said the prime minister in a recent interview. That view will be put to the test over the next two months.

former Soviet Union long was

a weapons supplier to North

Russia is unable to repay the

loans or to meet \$58m interest

payments because of economic difficulties, Mr Shokhin said.

### Nigerian military faces protests

NIGERIA'S pro-democracy campaign groups have called a three-day stoppage to back Mr Moshood Abiola's claim to be the next president and to oppose the military regime's plan to hand over to an unelected interim government on Friday, writes Paul Adams

The two previous civilian protests organised by the Cam-paign for Democracy in recent weeks halted normal business life in the commercial capital, agos, and other parts of the Yoruba-speaking south-west, the stronghold of Mr Abiola, but failed to make an Impact in the east or north of Nigeria.

Although the CD lacks a national network, it has done more than any other organisa tion to voice dissatisfaction with President Ibrahim Babangidz's eight-year-old regime, which has four times postponed its promised transition to democracy. The protest is aimed at building up pressure on the government to step down before Friday, when the Nigeria Labour Congress has threatened a national strike. The military regime is due to name the members of a civilian led interim government tomorrow.

#### **ANC** accused over prisoners

A commission of inquiry in South Africa has found that the African National Congress tortured, mistreated and in some cases killed prisoners detained in its prison camps outside South Africa in the 1980s. But it stopped short of blaming senior ANC officials for the abuses, writes Patti Waldmeir in Johannesburg.

in a report released yester-day, a three-man commission appointed by ANC president Nelson Mandela echoed criticisms from an earlier internal commission of inquiry, saying that ANC security officers had beaten, tortured, detained without trial, and in some cases executed detainees.

But it named only two senior ANC officials and accused them of relatively minor

More serious findings were made against members of the ANC's security branch, and the commission recommends that they be disciplined under the ANC's internal code of con-

#### Iraq wants end to trade sanctions

fraq insisted yesterday that technical talks with the United Nations on August 31 should also discuss Baghdad's demand that trade sanctions be lifted. AP-DJ reports from Amman.

An Iraqi foreign ministry statement confirmed that Baghdad would take part in the talks, aimed at resolving an impasse over deployment of monitoring cameras at Iraqi missile sites. The cameras have been installed, but are not yet switched on, pending the outcome of the New York

The ministry said iraq wants the talks to include the possible lifting of international sanctions imposed on Iraq after its invasion of Kuwait in August 1990

#### Taiwan president cements control Taiwan's President Lee Teng-

hut gained firm control over the ruling Kuomintang's highest policy-making body yesterday, with progressive politi-cians loyal to him sweeping elections to the party's central standing committee, writes Dennis Engbarth from Taipei. Conservatives, who previously held nearly half of the committee's 31 seats, retained

## Fall in Japan's capital spending seen

By Michłyo Nakamoto in Tokyo

CAPITAL spending by Japanese companies is set to fall this year for the third year running, according to a bank survey published yesterday. highlighting the continued weak state of the country's

In a survey of 1,544 compa-nies, Nippon Credit Bank found that planned capital down 3.8 per cent from the

in February. This meant planned capital investment for the fiscal year would be 3 per cent lower than in the previous year. It was the first time in seven years that the level of planned capital investment had fallen between February and August, the bank said.

Capital spending planned by manufacturing companies was down by 15.2 per cent, marking the second double-digit decline in two years. Capital spending by manufacturing car-maker, said it was tempocompanies had fallen by 18.8 per cent in fiscal 1992. Nippon Credit Bank also said that although non-manu-

facturing companies planned to increase capital spending by year, if utilities and leasing companies were excluded. planned capital investment would fall by 7.6 per cent. Evidence of Japan's eco-

nomic slump continued to surface. Toyota, Japan's largest

rarily transferring 175 employ ees to a group subsidiary. Production at the subsidiary, which makes bodies for recre ational vehicles, one of the most active market sectors, was expected to grow, while Toyota's own production had

been slowing. Asahi Glass, a leading glass maker, is closing a car-window-glass factory because of the slowdown in the domestic motor industry.

#### S Korea with missiles RUSSIA hopes to repay \$1.47bn South Korean officials today. (£980m) borrowed from South They have said in the past Korea by providing the Seoul government with high-tech they would consider such an offer even if only to have training equipment similar to that used in North Korea. The

Russians hope to repay

Korea.

missiles, fighter jets and other cold war-era weaponry, a Russian official said yesterday, AP-DJ reports from Seoul. Russia's deputy prime minister, Mr Alexander Shokhin,

who arrived in Seoul on Sunday for a four-day visit, said he would offer the proposal to



Prime Minister Hosokawa rises to speak in the Diet. Beside him is Foreign Minister Tsutomu Hata

of life as goal of policy

MR Moribiro Hosokawa, Japan's prime minister, yesterday said the country needed to bring down its current account surplus "not just to maintain good external economic relations but also to improve the quality of Japanese life".

In his first policy speech to the Diet (parliament), he said he would seek to make Japan a country of quality and substance", at ease with the world and with itself.

He also pledged political reform by the end of the year, in what is the main aim of the seven-party coalition, which this month displaced the longruling Liberal Democratic party. However, he was vague about the shape of the reform, over which the partners are still divided.

His address contained no new initiatives but appeared to indicate a number of shifts in emphasis. He placed greater stress than before on the funding of parties and politicians as a source of corruption. Such contributions would be replaced by "neutral, untainted public funding and other provisions", he said, in a reference to possible tax incentives for individual donors.

without being seen as victimising the LDP was given a strong boost last week when the Keidanren, the leading business grouping, said it would stop acting as a conduit for political funds - nearly all of which went to the LDP.

Mr Hosokawa took care to note the difficulties caused by Japan's high current account surplus in relations with the US and EC. He intended to seek its reduction by working "expanded domestic demand and improved market access, and for such consumeroriented policies as rectifying the disparity between domestic and international prices and

promoting deregulation".

This was the approach announced following a meeting of economic ministers last Thursday. The US Federal Reserve stepped in later that day to assist the Bank of Japan in stemming a rise in the yen. which Washington had recently been thought to favour as a way to curb Japanese exports. Although the countries deny having done a deal, the move also followed a telephone conversation that day between Mr Hosokawa and President Bill Clinton

ing framework talks earlier in the month on trade issues which Mr Hosokawa said were crucial. Japan may again need the Fed's assistance before that - the yen rebounded by Y1.10 against the dollar in Tokyo vesterday to Y103.35. The prime minister was oth-

erwise cautious on international issues. Noting that "protectionist moves seem to be on the rise", he said failure of the Uruguay Round of trade talks would "have a grave impact on the world economy". But he referred only obliquely to the problem of Japan's refusal to open its rice market, saying agriculture was a difficult issue for all countries and he would seek a solution based on "mutual co-operation under our basic policy".

Mr Hosokawa expressed remorse and apologies for war actions "including aggression and colonial rule". Under evident pressure from conservatives in the coalition, he added that there were also "supreme sacrifices made during the war" by Japanese. For the future, he said Japan

must avoid "falling prey to

great-power ambitions" but

should become "a country of

mitment to social justice and consumer interests Mr Yohei Kono, leader of the LDP, members of which heckled repeatedly during the speech, said afterwards: "He speaks of reform but he is adopting a conventional policy Mr Hosokawa said Japan's

government, business and everyday life. His phrase

recalls the "lifestyle super-power" envisaged by Mr Kiichi Miyazawa, his LDP predeces-

sor, but with a stronger com-

ageing society made a review of the tax structure a priority, to balance income, property and consumption taxes. The Social Democratic party, the largest coalition member, has opposed suggestions by some of its partners that consumption tax should be increased from the present 3 per cent. Reflecting the mixed signals

from official data, Mr Hosokawa said there were indications that "the domestic economy is finally emerging from the depths into which it was thrown" but "it would not do to take economic recovery for granted". His aim was to "create a climate conducive to the freer exercise of private-sector

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new ...... is that woungi.....

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Plan to transfer technology to East Germany denied

# Miti probes Toshiba chip export claim

By Michiyo Nakamoto in Tokyo

JAPAN'S Ministry International Trade and Industry is investigating a claim that Toshiba, a leading elec-tronics maker, had agreed to transfer technology to former East Germany that would have breached an internationally agreed export ban to communist countries.

Mr Masayoshi Takemura. chief cabinet secretary, confirmed Miti was examining the allegations, contained in a Japanese daily newspaper.

The Sankei Shimbun news paper claimed Toshiba had agreed in 1986 to transfer semiconductor chip technology to East Germany that would have breached rules set up by the Co-ordinating Committee for Multilateral Export Controls (Cocom). The group was set up in 1951 by Nato to monitor and control the export of products and technical data of potential strategic value to Warsaw Pact countries and their allies.

The newspaper sald it had secret documents from East Germany indicating that Toshiba and Mitsul, the trading house, had agreed to help build a factory to manufacture 256kilobit dynamic random access memory chips.
Toshiba, however, scrapped

the deal after it was revealed in 1987 that a subsidiary of the company had exported machine tools to the former Soviet Union. This resulted in the company being excluded from US government procure ment for three years.

Toshiba yesterday denied the latest allegations, saying it had made no agreement with East Germany on the transfer of semiconductor technology. The company said it followed strict export guidelines.

Toshiba said that between 1986 and 1987 the East German government had asked it to



Takemura: confirmed probe

transfer technology for the manufacture of printed circuit boards and transistors for colour televisions, neither of which would have been in breach of Cocom rules. Mitsui was involved in the talks.

When the sales of machine tools to the Soviet Union came to light in March 1987, Toshiba cancelled the TV transistor technology contract it had signed with the East Germans and called off talks on the transfer of circuit board tech-

Miti said it had investigated the chip issue in 1988 - finding no evidence that Toshiba had agreed to transfer semiconductor technology to East Germany - but was reinvestigating since fresh allegations had surfaced.

Cocom still prohibits the transfer of technology for the manufacture of certain advanced semiconductor chips and the export of some semiconductor manufacturing

### **A\$2.4bn** Australian rail link proposed

FRANCO-BRITISH engineering company GEC Alsthom NV wants to build a high-speed rail link between Sydney and Canberra, govern-ment officials said on Monday. Reuter reports from Canberra. Work would start on the

A\$2.4bn (£1.1bn) project in 1996 and Speedrail, as it is dubbed, would be running by 1999, according to the pro-

Industry minister Alan Griffiths wants to meet the developers, a government spokesman said. "Obviously this a project of national significance - we'd like to discuss it

GEC Alsthom is half-owned by Britain's General Electric Co and Alcatel Alsthom SA of France, a spokeswoman for the company's Sydney subsidiary

The trains, modelled on the Train à Grande Vitesse now operating in France, would travel at 350 km (217 miles) an hour and take 75 minutes to cover the distance between the nation's capital of Canberra and the country's most popu-

lous city.
A second stage linking Melbourne, Adelaide and Brisbane with Sydney and Canberra is also being studied, the sources

The developers have sent their proposal to the federal. New South Wales and Australian Capital Territory governments. GEC Alsthom would supply

the rolling stock for the project, which would create up to 35,000 jobs, the sources said. A similar plan was proposed by a consortium led by Broken

Hill Pty but shelved in 1991 after the federal government refused developers' request for tax breaks during the construction phase. The Speedrail proposal makes no such request. About

80 per cent of the projected cost is expected to be spent in Australia, the sources said. GEC Alsthom last week won a contract to help build a 400 km high-speed rail link in

South Korea, a project expec-

ted to cost US\$13.2bn with

whisky-makers.

Allied is the third UK-based drinks company to enter the £800m market under the Indian government's liberalisation programme. Guinness and Grand Metropolitan have already announced the forma tion of partnerships with

Indian companies.
Seagram, the Canadian liquor and foods giant, has also been allowed to set up a wholly-owned subsidiary to make or blend 25,000 kilolitres of spirits

Though the Allied-Jagatlit venture is not expected to the world's premium Scotch

said yesterday: "We believe india has great potential for our products. We are delighted that the Indian government's positive policy for inward

The Indian government has not allowed foreign liquor companies to set up manufacturing capacities, and they will have to rely on the existing facilities of their joint venture partners, or purchase Indian spirits through contracts.

Jagatjit, which commands more than 25 per cent of the country's liquor market, is involved in the manufacture and marketing of malt, malt extract, dairy and food products, as well as in the produc-

material. The Rs100m (\$3.2m) project in Maharashtra will import Scotch and bottle it in India for

local sale and export to Gulf investment now allows us to countries and possibly to be associated with Jagatlit." South East Asia. The company will bottle up to 30,000 cases of Scotch a year, and another 30,000 cases of

import costs. The Indian demand for Scotch is estimated at 1m cases

blends with locally-made alco-Exports have been made mandatory in order to offset

drinking habits. And they have

to address evidence that actual

levels of drinking are much higher than official statistics

According to Norwegian esti-

mates, the country's spirits consumption is doubled if duty-frees, smuggling and home-distilling are taken into

It is difficult to see how a

satisfactory solution can be

worked out, given the weight

of tradition and long-standing

policy on the Nordic side, and

the EC's intransigence towards monopolies on the other.

the import monopoly and agree to phase out the distribution

monopoly over a number of years. But Swedish politicians,

at least, fear they will not be

able to sell that to the temper-

ance lobby. They say alcohol is

one of the issues on which the

EC has to show increased flexi-

bility if Swedes are not to get a negative view of membership. One Swedish politician com-ments: "It will be far better for

the monopoly to disappear ust-

One answer could be to scrap

prime minister, warned yester-Mr Olszewski was speaking a year, more than 75 per cent on the eve of a two-day visit to of which are spurious or adul-Poland by the Russian presiterated, and 90 per cent of dent, Mr Boris Yelisin. During the visit an agreement to build the pipeline is expected to be

Poland

warned

over gas

pipeline

By Christopher Bobinski

POLAND'S sovereignty could

be endangered by a proposed plan that would supply Rus-

sian natural gas to the country

along an east-west pipeline,

Mr Jan Olszewski, a former

Mr Olszewski, whose right wing Coalition for the Repub-lic is one of more than a dozen political groups contesting partiamentary elections sched-uled for September 19, contended that the pipeline would nullify chances of obtaining gas from other sources such as the North Sea".

Russia currently exports 6.5bn cubic metres a year of natural gas to Poland, whose domestic production amounts to 3.5bn cubic metres a year, Estimates of Poland's natu-

ral gas needs in the year 2010 assume that consumption will treble from present levels. The pipeline would carry 67hn cubic metres a year 4.000lon from the Jamal Peninsula in the Arctic Circle to western

Details of financing of the project have still to be divulged, but Poland could take delivery of 14bu cubic metres a year of gas as part of

the agreement.
The Polish sector of the pipe-line would be owned by a joint Polish-Russian operating company. The issue of ownership has been the subject of debute by critics of the project. The state-owned Polish Oil

and Gas Company has been negotiating the pipeline agreement with Gazprom, its comterpart in Russia.

The Polish company has also been exploring the possibilities of building a pipeline link ing North Sea gas deposits with Poland's Baltic coast to bring in a further 10bn cubic metres a year.

### Allied in Scotch deal with India tion of bottling and packaging

By Philip Rawstorne in London and Shiraz Sidhva In New Dethi

HIRAM WALKER, the spirits and wine division of Allied-Lyons, is to establish a joint venture in India with Jagatjit Industries of New Delhi, one of the country's largest liquor producers. The 50/50 venture will bottle

duced spirits for the domestic and international markets. After decades of warding off foreign liquor manufacturers and encouraging a thriving market for spurious "scotch" India has opened its doors to

Scotch whisky in India and

launch a range of locally-pro-

make a significant contribution to Allied's profits for some years, Mr David Jarvis, chief executive of Hiram Walker, Nordic countries contest the

spirit of EC policy on alcohol Monopoly issue complicates EC membership talks, writes

most sensitive and difficult **Christopher Brown-Humes** issues in the Nordic countries' EC membership talks. Sweden, Norway and Finland have operated Europe's most restrictive alcohol regime for

much of this century and none shows any sign of giving up the policy without a fight. The EC says the restrictions have to go because they conflict with rules on free movement of goods and non-discrimination. For the Nordic countries, it is a case of public

HEN the European Commission told

scrap its alcohol monopoly, it brought to the fore one of the

Sweden that it must

health, for the EC it is one of competition. The issue could have a decisive impact on whether the Nordic countries can get their membership applications approved by referendum. Sweden and Norway each have more than half a million supporters of the temperance movement; if mobilised, this could be sufficient to swing an otherwise close vote against

membership if the EC line pre-Puritan attitudes to alcohol date back to the 15th and 19th centuries when heavy drinking was rife. Both Norway and Finland had a spell on prohibition earlier this century, before

evolved. The aim today in all three countries is to discourage alcohol consumption by maintaining high prices and limiting availability.

Public opinion on the issue is split. A poll in Sweden last week found that 43 per cent of the public wanted the alcohol monopoly retained; a recent Norwegian study said as many as 59 per cent backed the current regime.

Norway and Sweden are taking the strongest line in the EC talks, saying that they want to retain monopolies over both imports and retail sales of alcohol. Attitudes are more relaxed in Finland, which has indicated that it considers retention of the retail monopoly to be the important issue. The Commission does not

dispute the Nordics' contention that their policies have cut alcohol-related problems meaning everything from liver cirrhosis to drunken driving and violence in the streets. But it says they can find

ways of meeting their health objectives without retaining a formal monopoly. That could be through taxes, licensing, advertising, better information, and restrictions on sales to young people, for example.

Sweden counters by saying it is already doing much of what the commission recommends. It argues that it should be allowed to adjust its monopoly in so far as it transgresses EC competition rules, but that public health arguments should outweigh any requirement to scrap the monopoly. As part of this emphasis on

adjustment, Systembolaget, the Swedish monopoly retailer, is about to widen its selection of imported brands to demonstrate that the country's alcohol monopoly is not about favouring domestic suppliers. Moves such as this may not be sufficient to win the argument. The Nordic countries still have to persuade a scepti-cal European Commission that

urally, with prices coming down as import restrictions disappear, than if it is forced on us politically. People will

see it as a classic case of unwarranted meddling by the nanny state should have Brussels in our internal the right to dictate people's

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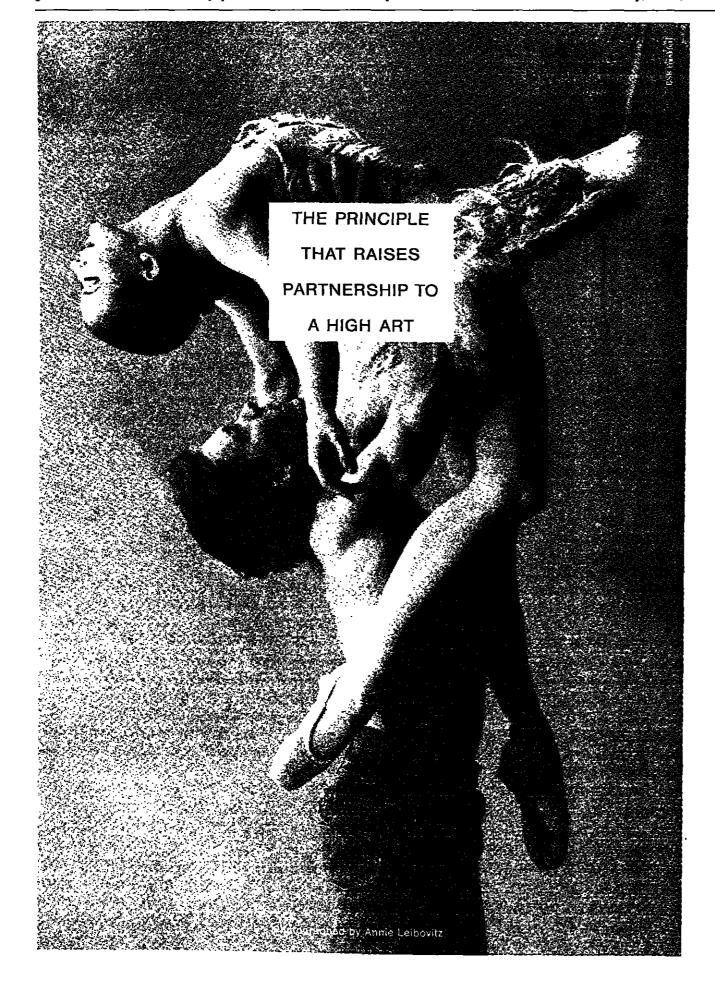
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trade, equity investment, corporate borrowing unknown quantity. So diverging interests, and the incalculable WIR PRINZIP is rooted in the classic tradition of the cooperative system linking equal busi-

### State agency to challenge equal pay laws

By Robert Taylor, Labour Correspondent

BRITAIN'S laws on equal pay are to be legally challenged through the European Commission in separate actions by the government-appointed Equal Opportunities Commission (EOC) and the Trades Union Congress (TUC). The EOC will ask Brussels

next month to decide if Britain's equal pay legislation complies with EC rules. The EOC could find itself on a collision course with the government over what ministers will regard as a provocative move. But the BOC's decision to refer the issue to the EC reflects the increasing exasperation inside the organisation at what it regards as the government's failure to comply with EC legal obligations on equal pay. The main reason for the EOC's appeal to Brussels is the

negative response over the

issue it received last month

from Mr David Hunt, the employment secretary. In a letter dated July 19 be rejected out of hand the EOC's proposals to strengthen existing equal pay legislation. These called for a speed-up in the slow and complex procedure in equal pay inquiries; an extension in equal pay award entitlements beyond the individual claimant to all workers in the same employment doing the same or similar work; and a move to allow discriminatory terms in a collective agreement to be challenged by an interested party or modified by a

In his letter Mr Hunt also

rejected the legal advice given to the EOC that the government had failed properly to ful-fil its obligations under the Rome Treaty and the directive on equal pay which Britain signed in 1975.

The employment secretary told the EOC the government needed to strike a balance between improving the law and ensuring that employers could avoid burdens that would threaten job opportunities. Mr Hunt also said he was firmly opposed to any propos-als that sought to award equal pay to others in similar jobs or to allow trade unions or the EOC to challenge discrimina-

tory pay systems. "We have decided enough is enough", said an EOC official. She pointed out the EOC had over three years to convince the government that it should improve existing equal value

Yesterday the EOC welcomed the TUC's decision to make a formal complaint to the European Commission over the abolition of wages councils that will come into force next

But the Department of Employment said last night UK legislation fully complied with the government's EC obligations. The TUC complaint social affairs directorate for consideration. The commission has the power to take the gov-ernment to the European Court, and if the court upheld a complaint the government would be forced to change its

### Government tries to defuse rail fare row Britain in brief

Thames Fast Ferries, a subsidiary of the White Horse property group, said yesterday it was seeking talks with the liquidator

of the collapsed RiverBus company, which provided commuter services along the Thames until the end of last week Meanwhile the failed company's boats remained tied up at Trinity Pier in east London Photograph: Ashley Ashwood

By John Authers and Alison Smith

THE government yesterday attempted to defuse the growing political controversy over leaked plans by British Rail, the state network, to raise fares on some routes by 16 per cent ahead of privatisation.
While the leak has been

interpreted as an attempt to spread damaging publicity on the government's plans for rail privatisation, the problems revealed in the document chiefly concern continuing funding difficulties on Network SouthEast, the London commuter division of BR.

The scale of the increases outlined in the document has alarmed many Tory MPs with

England. Sir Keith Speed, one of the leading Tory opponents of rail privatisation, said he was cer-tain Mr John MacGregor, the transport secretary, would not

constituencies in south-east

agree to the sort of fare rise envisaged. Pressure for fare increase has mounted amid Network SouthEast claims that £460m is needed annually until the end of the decade "simply to maintain the status quo". This would allow for replacing out-dated rolling stock and essential maintenance, but would

not include any extra routes or additional rolling stock. Project investment for next year has been state-funded at £420m, according to Network SouthEast, leaving a £40m Passenger watchdogs and

opposition MPs claim the shortfall has made fare increases inevitable. Although transport minister

Lord Caithness yesterday described suggestions of a 16 per cent fares rise as hypothetical, an FT analysis shows that rail fares on Network South-East - as well as London Underground and London's buses - have risen consistently ahead of inflation since 1984. Since then, while the retail price index rose by only 55.3

per cent, bus fares have risen by 92.3 per cent and Tube fares by 94.5 per cent. Network SouthEast registered an 81.7 per cent rise.

Since 1979, the distance which can be travelled on any of London's public transport systems for a set fare has been

cut by 20 per cent.
Over this period Network criticism for poor timekeeping and reliance on ageing rolling stock. Yesterday, it defended itself against criticisms, saying that a recent survey had shown it to be ahead of the French SNCF's Paris service by 7.8 per cent on measures of reliability and punctuality.

It admitted, however, that it received a £300m government grant last year, and even when this was included made a surplus of only £5m.

Photograph: Ashley Ashwood



#### Telecom deal to intensify competition

Competition between British cable operators is set to intensify following an agreement between the leading operators and Mercury Communications.

The deal gives the cable companies improved rates for completing the long-distance parts of calls made on their local phone networks, and will enable them to undercut BT's prices in their franchise areas. The cable companies - General Cable, Nynex, Encom, Southwestern Bell, Telewest and Videotron - provide most of the 180,000 cable telephone lines now in service.

The operators would not disclose the precise figures in the deal, but the new Mercury agreement gives them better overall terms than those available with BT.

#### HK promotion for London

The Corporation of London, the local authority for the City of London, and the London Docklands Development Corporation are to make a joint promotion in Hong Kong next month of London as a business district.

They aim to address what they see as misconceptions about London held by businesses in the Asia Pacific

These include fears about terrorism and concerns that the European Community has become more protectionist since the Maastricht confer-ence on closer European ties.

#### More stock details likely

The London Stock Exchange plans to make more informa-tion available about the trad-ing prices of stocks in smaller companies in an effort to boost their share liquidity.

The information will cover the trading prices of some 160 shares with only one regis-tered marketmaker or with no marketmaker. Dealing in these shares must be conducted through offers posted on the Stock Exchange Alternative Trading Service (Seats).

#### Nissan output rises sharply

for more than a fifth of UK car output in the first six months this year. Sharply rising production by Nissan and the start-up of plants by Toyota and Honda are compensating for falling output by the tradi-tional car producers.

Overall production rose by 8.2 per cent in the first half of the year to 743,000 boosted by a virtual doubling of car output at Nissan's Sunderland plant in north-east England.

#### Wind farm plan unveiled

Proposals for a wind farm with 66 turbines in south Wales will be unveiled today. Trigen Windpower - a joint venture formed by Ecogen, the Welsh renewable energy com-pany, the Japanese Tomen Corporation and Sea West Energy Corporation of California - is seeking planning permission for the

### Western counties seek EC funding

By Roland Adburgham, Wales and West Correspondent

THREE west of England counties are making a joint bid for European funding to counter the impact of military cutbacks on the UK defence

Avon, Gloucestershire and Wiltshire are lobbying for aid to help revitalise areas reliant on the defence industry and military bases. The government has until the end of this month to apply to the EC for a £15m share of the £100m Konver fund, announced in April by Mr Bruce Millan. EC

regional policy commissioner. It is the first time the countles have made such a joint approach. The bid, announced yesterday, is supported by the counties' Training and Enterprise Councils, by local MPs and MEPs and by the Avonbased Western Development Partnership, a forum for economic development.

Avon, Gloucestershire and Wiltshire are highly dependent on the defence industry with British Aerospace, Rolls-Royce and Dowty all operating plants in the region. Avon alone is estimated to have lost more than 7,000 defence-related jobs in the past six years.

try said the impact of defence cuts in south-west England was comparable to the effects of the rundown of coal and

steel production in Wales. The Konver fund will require matching finance by the government, local authorities or the private sector. It is subject to the principle of additionality. That means it co-finances projects which will have an concerned and would not oth-

erwise go ahead. The Department of Trade and Industry has to inform Brussels by August 31 of the areas for which it is seeking Konver funds, and the DTI would subsequently assess specific projects which might be supported. The three counties want the aid for schemes to help redundant defence workers and to stimulate new busi-

A study for the European Commission last year identified 24 of the community's 183 regions where defence employment was at least double the European average.

 Defence company Flight Refuelling is to shed 200 of its 1,000 workers at Wimborne, Dorset, it said yesterday. It blamed cuts in the aerospace and defence industries for the Earlier this summer, the losses, which follow the axing Confederation of British Indus-

# **Tests soon**

British Nuclear Fuels within days that it can begin testing its controversial Thorp reing plant in north

Greenpeace, the environmen-

BNF originally expected

### at Thorp nuclear waste unit

By Bronwen Maddox, Environment Correspondent

THE government's Pollution Inspectorate is likely to tell England with uranium.

tal pressure group, has opposed the start of testing on the grounds that it will prejudge the government's decision on whether to allow the \$2.8bn plant to start operating. Greenpeace warned yesterday that it would take legal action against any decision to allow

Thorp, which recycles used nuclear fuel, to receive author-Isation at the start of this year. But the decision was delayed until the end of the year after strong opposition from politicians and environmentalists.

The inspectorate announced on July 22 that it was "minded" to allow testing on condition that, if BNF did not win the go-ahead for the plant, it would pay for decommissioning any equipment contami-nated by the tests.

### Securities industry faces demands from Brussels

VEN for those well-versed in the complex phraseology of Euro-pean directives, the Capital Adequacy Directive (CAD) is vexatious. Translated into English, it

means most of Britain's securities industry will have to use a capital adequacy new measure of financial strength. Until now, the investment industry had to meet capital requirements set out by the Securities and investments Board (SIB), the City's chief regulatory watchdog.

SIB officials are careful to point out that for a large num-ber of firms, the cumulative capital requirement will not change; capital may simply be allocated differently among various business activities. But for a significant minority changes will be needed. For the first time firms which do not bandle client money or trade for their own account will need to meet an intitial capital requirement of Ecu50.000 (£38.000).

Those which do handle client money will need Ecu125,000 (£96,000) and those which deal for their own account and underwrite issues will need Ecu730.000 (£560.000).

Under current UK rules there is no initial capital rent rules apply low require-

#### Norman Cohen assesses the

changes under the directive on

requirement; all capital requirements are related strictly to the degree of risk involved in specified activities. The rules require them to hold enough capital to cover fixed overheads for various periods and to hold capital against trading positions, with the amount dependent upon the amount of risk.

The CAD will require all firms to have enough capital to cover fixed overheads for 13 weeks a year. Smaller fund managers and investment advisers of other types need

The so-called position risk requirements, which will mostly affect the securities firms which are members of the Securities and Futures Authority, are in some cases lighter than those in place. But some firms will face tougher position limits. Cur-

capital only to cover four to six weeks of fixed costs.

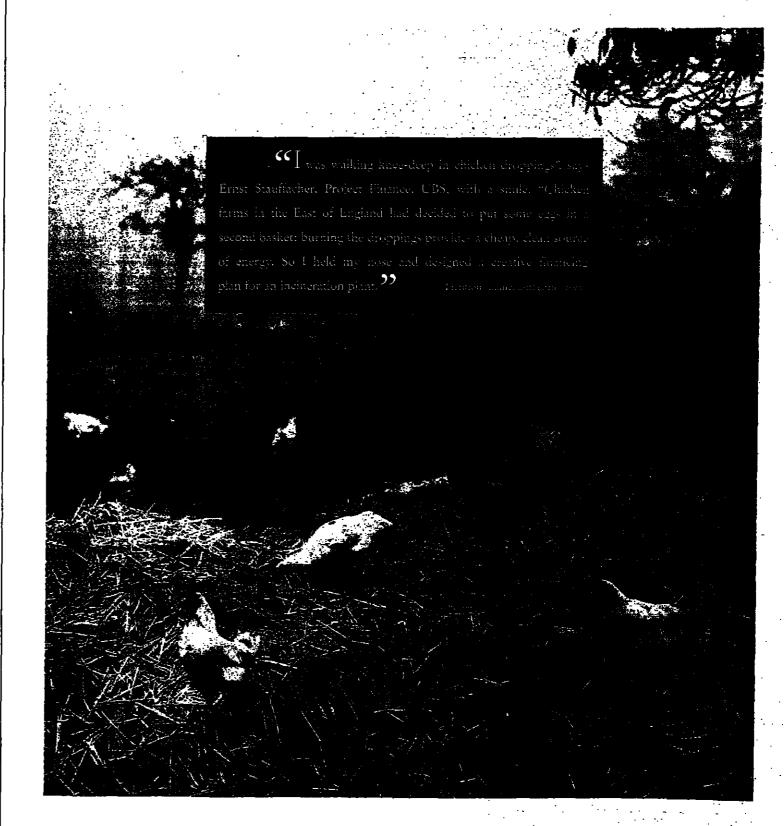
yet fully penetrated the indus-

trade equities for their own book and meet strict portfolio diversification requirements. The CAD makes no adjustments for the extent to which diversification reduces risk and some securities firms, in particular the larger ones, may have to hold more capital against their portfolios. Even among firms with no interest in operating overseas.

to raise additional capital or alter their business mix. "A lot of firms will think Well, I'm not going to use the European passport so this won't affect me'," said an SIB official. But the regional stock-broker in Maidstone is as subject to the new rules as S.G. Warburg, a fact which has not

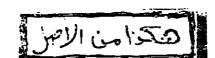
hundreds may find they need

try, regulators say. Regulators point to a number of mitigating factors. The EC's Capital Adequacy Direc-tive applies only to investment business as defined by the Investment Services Directive, which specifically excludes firms which only give advice. Fimbra, the self-regulatory body for financial advisers, estimates that is the case for more than 80 per cent of its



Not banking as usual.





"BS5750 is a nightmare for small

businesses. BS7750 we see as the

incestuous cousin – it's even worse?

quality systems standard, may soon have to grapple with BS7750, its successor for environmental management systems.

The BSI decided to develop the standard because it wanted to respond to increasing concerns about environmental performance. BS7750 details a specification for an environmental management system that will enable an organisation to ensure compliance with its chosen environmental policies. It also contains advice on how to put the system in place.

Having the management system will facilitate environmental auditing of the organisation and compliance with BS7750 will prepare it for participation in the EC's eco-management and audit scheme (Emas).

system laid down in BS7750 has a lot in common with that of BS5750. Indeed, the similarity in the numbering of the two standards is intentional to demonstrate the strong links between them. BS7750 can be seen as an add-on to BS5750.

Both standards have something else in common: just as compliance with BS5750 is no guarantee of an organisation's output being of high quality, since low-quality targets can be set within the system, so compliance with BS7750 does not ensure good environmental performance. Toxic emission targets, for example, could be set to unacceptably high levels.

A version of the standard has existed for over a year, but as yet the BSI does not think it has been developed enough to issue certificates of compliance

Although at least one consul-

BSI's environmental management system may cause difficulties for small firms, writes Peter Carty

# Struggling with new standards

granting certificates, the BSI regards this as "premature and mis-

But a pulot programme earlier this year to test the standard in more than 100 organisations has now ended, and a draft of the revised standard is out for public consultation until the beginning of

The final version should appear by the beginning of December and widespread certification should start after accreditation procedures have been set up to vouch for certi-flers. In fact, the only significant revisions in the standard are those bringing it into line with Emas, under which businesses will undergo environmental audits and publish results. Emas is set to get fully underway in 1995.

The concern of small businesses is that BS7750 will cause them problems similar to those of BS5750: disproportionately high implementation and certification costs, and the thinning down of tender lists by excluding those who do not have it. "BS5750 is a nightmare for small businesses," says Bernard Juby,

trade allowed and privatisation

impossible to obtain finance for

Last month the International

Finance Corporation launched the first international effort to

stimulate small and medium-sized

businesses in Russia by lending

commercial bank for on-lending

its contribution is just a drop in

the ocean for Russian business

development, until Russian

The IFC admits, however, that

\$15m (£10m) to a Russian

to new companies.

is officially under way, new

businesses find it virtually

capital investment.

of Small Businesses. "BS7750 we see as the incestuous cousin - it's even worse." Juby finds the standard more nebulous than BS5750, and is apprehensive of some councils and large companies making it mandatory in all but name for suppliers, in a similar way to that in which some have dealt with BS5750. "It's supposed to be a voluntary

Some of the businesses from the pilot scheme also think BS7750 is vaguer than BS5750. "It's probably slightly woollier because the subject area is less easy to pin down and define," says Sam Phillips, engi-neering manager at the Mann

standard," he complains of the lat-

pany which recycles computers and electronic equipment.
The business has had to abandon implementation of BS7750 for the time being, partly because it is still busy with BS5750. "It would be very, very difficult I think for anyone to implement BS7750 if they haven't actually got BS5750," says

Organisation, a 50-employee com-

"If you're coming at it cold, par-

BS5750, they won't know their arse from their elbow," agrees Richard Hall. TQM systems manager of the Renion Group, a £6m turnover, 60employee property preservation and

construction company.

Chris Sheldon, the BSI's environmental spokesman, disagrees. He says experiences on the pilot scheme varied. For example the group of companies from the print and packaging sector, which included many small and mediumsized businesses, say they do not think BS5750 is a prerequisite for

he signs are not promising for small businesses worrying about the expense of compliance with another standard. Phillips and Hall have experienced interest in their environmental management systems from large companies and local

"They haven't actually put pres-sure on us in the sense of having it documented, but we have been audited by a couple of them to make sure that what we're doing

Entrepreneurs use creative skill to succeed



neets their standards," says Phillips. He thinks that at some point there may be insistence on compliance with BS7750 before contracts are awarded.

One large company the Mann Organisation does business with is IBM. "The most likely position we would want to take with our suppli-ers for BS7750, once it does finally emerge, is, in a nutshell, encouragement," says Eric Dewhurst, engineering services manager at IBM's manufacturing and development site in Greenock, Scotland.

"It would not be a requirement in the sense of being mandatory." He thinks the company's policy will be similar to the one for BS5750, with which it normally expects big companies to comply, but not necessarily small ones.

The Renlon Group is applying for membership of the London Borough of Merton's approved contractors' scheme. BS5750 certification is not

mandatory to get onto tender lists for the council's contracts. "We don't insist upon it, but obviously when contractors are vetted to come in on the scheme we ask for various safeguards in that respect," says David Jones, a senior building surveyor in the council's property services department. However. Jones says the award of contracts can depend on whether a business has a certificate or not, and it may not always be possible to take small businesses' circumstances into account. Might they sometimes lose out as a result? "Possibly."

Jones says that at present environmental management systems are sometimes taken into account when awarding contracts and that compliance with BS7750 may be taken into account in the future. "If suppliers can show that they're moving towards that direction then I think we would take that on board in the

The BSI is against mandatory application of BS5750 and is listening to small businesses' criticisms. It has set up an independent committee with small business representatives which is undertaking a survey of problems.

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- Federation of Small Businesses

This may provide little insurance against future problems given the legal and social context of BS7750. Large organisations are concerned about public perceptions of their environmental performance and have legal responsibilities under statutes such as the Environmental Protection Act 1990, the Water Resources Act 1991 and the Control

of Poliution Act 1974. There will be an increasing trend for companies to require their suppliers to have some form of qualification and the ready-made qualifi-cation off the shelf is BS7750," says Michael Renger, a partner in the environmental department of lawyers Nabarro Nathanson.

#### he screen flashes up an image of a Russian entrepreneur practising his karate skills, then driving around Moscow in a Lada.

"This man has big business on his hands: Russian knitwear," a voice purrs in the background. Alexander Panikin, 43, says he commissioned "The Factory-Owner", a video about his company

Pan Inter, to present himself "as an example to others" Promotional puff aside, he has grounds to boast. He manages one of Russia's rare small businesses involved in manufacturing, at a

time when import-export operations dominate the new private economy. Panikin's business has emerged from the ruins of seven decades in which, he says, "the Communists destroyed everything that moved".

accumulated capital in the dying years of the old regime when prices were controlled by the state and

He was lucky to have

money lending was cheap. entrepreneurs are able to mobilise The irony today is that though the billions of dollars potentially prices have been liberalised, private

available in domestic capital when investment circumstances improve. With inflation running at 1,000 per cent a year, most entrepreneurs and banks have little incentive

combination of hard work, luck and initiative, are indeed a rarity.

Panikin set up his factory, which now employs 700 people, with profits made from a co-operative set up under legislation introduced by President Mikhail Gorbachev

The International Finance Corporation is lending \$15m to a Russian commercial bank for on-lending to new companies

to launch into any project that does not bring virtually immediate

Entrepreneurs such as Panikin, who are showing the way by a

in the late 1980s

"I started off with six sewing machines but I had a profit margin of 600 per cent," he says. illustrating the pent up demand

OIL

for consumer goods which existed in Russia's then closed, and now still heavily militarised economy.

Today his margins have been reduced to 100 per cent by import liberalisation, which has introduced competition, and by price liberalisation, which has cut the population's purchasing power.

In an attempt to beat inflation, which destroys rouble earnings, he converts his profits into hard currency and immediately ploughs them back into the company. Another challenge for business is that market institutions taken

for granted in the west, such as efficient suppliers, distributors. and a normal banking system, are absent in Russia.

**Leyla Boulton** on survival tactics in Russia, where capital investment is almost unheard of Panikin sells his clothes in 10 kiosks he owns around Moscow, which means he works mainly with cash, and relies on his own sales network to find out what sells and what prices he can get away with. In order to obtain the necessary

> for his knitwear. The IFC's lending initiative is part of the international effort to stimulate business, but action needs to he taken in Russia to help budding Panikins. Irina Razumnova, who heads a small business support centre with funding from the cosmetics company Avon and the Canadian government, says: it is no bad thing that small businesses find it

quality he dyes the threads used

difficult to raise finance for manufacturing as it is services that are needed. She adds: "The main problem is that our people do not know how to work." The business support centre provides short courses in accounting and

management skills. Razumnova believes one of the biggest problems facing small ses is people attitudes: how do you change the habits of employees accustomed to a system once jokingly described as pretending to pay the workers

while they pretend to work". Higher than average pay packets (the equivalent of around \$100 a month) are still topped up with subsidised food, such as sugar, which is expensive in the shops. and other non-monetary benefits. Panikin's staff also receive benefits - clothes can be purchased at a 50 per cent discount from the sales price and Panikin has even given picts of land away to workers.

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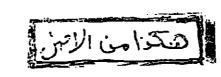
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It all comes down to economics.

In the world of PCs, new technologies are being introduced and adopted so quickly that it is rarely worth upgrading an older

For anyone who does not want a disposable PC, there are theoretically a number of technologies that could make life easier. However, there is no guarantee as yet that they will work. One solution is the idea of the upgradeable computer processor. It has been used by various PC manufacturers over the years in building so-called "future-proof"

There is no better illustration of the pitfalls of this approach, though, than the recent array of "Pentium-upgradeable" systems. Pentium is Intel's latest computer processor. Pentium-upgradeable systems were supposed to allow users to remove the moderately powerful intel 486 processors and replace them with the Pentium processors, as these became available to users, in order to achieve the much higher

Unfortunately, when the Pentium processor was installed on the 486s, over-heating problems occurred. In addition, memory and storage capacity were not always installed in the most appropriate configuration for Pentium-based

Owing to such problems, even the properly-executed Pentium upgrade

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A MANAGES FOREIG

Price pressure

Upgrading a PC is possible but can cost as much, if not more, than a new model, finds Geof Wheelwright



often ended up costing as much as buying a brand new Pentium system – and it still did not deliver the same levels of performance as an off-the-shelf model

If upgrading PCs were just a matter of solving the problematic processor installations, however, an appropriate method could eventually be found. The complicating factor in the process is

the fast pace of change in the complementary technologies especially in video display, memory and in data storage areas

The performance of personal computer video in particular has improved dramatically in the past few years.

In most IBM-compatible PCs, video output is generated through the use of a display adaptor expansion card that sits in one of the PC's "expansion slots", but these adaptor cards run at a rate of only 8 Megahertz. While 8 MHz speed was fine in 1984, today's fastest PC processors can run at between 40 and 66 MHz - with 100 MHz 486 processors not far off.

A variety of solutions to meet the video and memory requirements have been put forward including video accelerators, faster processors on the video display adaptors - as well as more memory. Whatever changes are made to the video card. however, it still has to communicate with the motherboard of the PC at only 8 MHz.

And this is where "local bus" video comes in. This is a way for the video circuitry to talk "directly" to the processor over a "local bus" - rather than the standard AT expansion bus (data channel).

This means that a local bus video system has to be built on to the motherboard of the computer in a proprietary fashion - at least until some form of local bus video standard evolves. There are 32-bit expansion slots in existence, but none will yet operate at the speeds that can be achieved by hanging a local bus directly off the processor.

ocal bus video systems claim to be able to run at between #33 to 50 MHz

And with today's Microsoft Windows applications demanding that amount of additional performance, it is clearly a technology that will be increasingly in demand over the coming years. There have also been significant improvements in increasing PC

memory capacity - either random access memory (Ram) or magnetic storage. Again, this would enable Windows applications to be loaded on to a system which originally had too little memory capacity to run such software.

Although technology advances make PC upgrades possible, they are still problematic. So if you want better PC than the one you already own the most simple answer may be to buy a new one The real challenge will be to find a home for the old computer.

An unusual aspect of the giant magneto-resisitive sensor development is that it was conducted within the IBM product group, rather than at the company's research laboratories. The research was conducted as part of an "IBM Fellow"

programme, under the leadership of Kent Howard, one of IBM's leading scientists who was made an IBM Fellow three years ago. The programme gives IBM's top scientists great latitude to pursue their research interests and work directly with product groups. For computer users, the

development promises higher density and lower cost data storage. This is becoming increasingly important with the advent of multi-media computing requiring storage of large quantities of data including video, voice and graphics

Louise Kehoe

### **Technically Speaking** Conflict in the computer market By Bill Passmore

"proprietary" to the computer mar-ket these days elic-its much the same response as "cold war" does to the world at large. If the battle has

not been won, then at least it has gone away. We now live in an Unfortunately, it is not true, and it would be dangerously complacent to think otherwise. The cold war is not over, only the players

and territory have changed. Open systems mean that users are not tied in to any hardware or software that will limit their future room for manoeuvre. They can select what is best for their needs, rather than what their sup-

plier chooses to give them. The traditional enemy of open systems was the hardware supplier. Mainframe and supermini suppliers provided computers with inique operating systems. If you built your company's computer strategy on such a platform, you were stuck with it.

However today, open systems users can rejoice in the knowledge that they have in the Unix operating system a stable software platform on which to build and a range of hardware from which to choose. All of the leading Unix vendors - including some of its erstwhile enemies - are now party to the Common Open Software Environment, or Cose, which aims to bring further commonality to the Unix world in such important

areas as screen windowing. This is good news for the user. but it is not being done entirely for the sake of standardisation. It is also being done because Cose members see the threat to open-ness of the dominance of a new proprietary enemy - Microsoft.

The software company has given the PC user an operating system and a range of tools and applications that dominate their markets.

Microsoft's more recent product offerings - its larger applications and, in particular, the Windows NT operating environment - are set to take it into the multi-user,

multi-tasking domain - the prov-

ince of the Unix vendor.

There is an uneasy alliance between the two sides of Micro soft's business - operating and applications software - which has given rise to anti-trust investigations at the US justice department. Rival applications vendors contend that Microsoft's ownership of Windows gives it an unfair time-to-market advantage.

It is in no one's interests that the balance of power should tip towards one company. Such a shift limits a customer's ability to choose, leading to less competition and less innovation.

There are already similar dan-ger signs in the Unix-led market that Microsoft is now attacking. There is much at stake with Windows NT, Microsoft's Unix competitor, and Microsoft has said that it may alter the source code -the heart of the software - to prevent other companies from running applications in an NT-like environment.

What is more, despite claims to the contrary, NT is currently not based on recognised standards, (It has, for example, no X/Open recognition - the universally recognised mark of a standards-based open system.) If Microsoft continues to ignore this issue there will be a return to the days when users were beholden to the dictates of their suppliers which would be the very antithesis of openness.

There is a far more worrying threat to open systems. Novell acquired Unix Labs, which owns Unix, a few months ago. The company is determined to challenge Microsoft's dominance and it will build volume not just for Unix, but for its own Unix applications. But Novell may go further than this. One senior vice-president was quoted in July as saying, "Unix will be proprietary". Suddenly the idea of a closed Unix is

no longer unthinkable. The computer market is intensely competitive. But unfor-tunately, the hard-fought principle of open systems is in danger of being lost in the process. It was users who fought for open systems; it will be users who suffer in a conflict of this kind.

Bill Passmore is vice-president. northern Europe for Sun Microsys-

### A giant leap forward

disc in the form of minute magnetised spots. When a magneto-resistive sensor or "head" skims over the surface of the rotating disc it passes through the tiny magnetic fields produced by these dots and its electrical resistance is changed, producing a signal that "reads" the bits of data stored on the disc.

However, as the density of data stored on computer discs increases. the magnetic spots become smaller and smaller and it becomes more difficult to detect their magnetic

The giant magneto-resistive effect represents a potential solution to this problem. It produces an electrical signal more than five times stronger than that produced by heads based on conventional

magneto-resistive technology.

demonstrations of giant magneto-resistance have required exotic materials, very low temperatures, or complex processes. However, the IBM researchers have designed a giant magneto-resistive sensor that is relatively simple to make. It is based upon a stack of very thin layers of magnetic (nickel-iron alloy) and non-magnetic

(silver) materials. Fabricated using standard semiconductor production techniques each layer of material is only about two billionths of a

The structure is then annealed in a furnace to align the magnetic poles of adjacent layers in opposite directions. When the structure is

placed in a magnetic field, all of

the magnetic layers align in the

**RSM** 

same direction, producing a "giant"

Adstar now plans to move the technology into its development laboratories, to make prototype disc drive heads capable of reading data stored on a disc. The next step will be to optimise the materials and processes for mass production. The technology is expected to appear in products in about three

"There should be no fundamental problems in transferring the technology from the laboratory to manufacturing," says Kevin Coffey, one of the group of Adstar scientists that has worked on the

IBM has patent applications pending on the structure and the process for producing its giant magneto-resistive sensors

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Although Mr Odgers arrived at the MMC too late to be closely involved with the report, the generally favourable reaction to the commission's findings has ensured a good start for the Odgers'

However, it is too early to judge whether the appointment of Mr Odger, an experienced industrialist, will translate into an overall change in approach to competition policy.

Mr Odgers' appointment by Mr Michael Heseltine, trade and industry secretary, last hy observers as another sten towards a new approach to

competition issues. When Mr Heseltine took over at the DTL he promised a proindustrial policy, intervening to help British companies before breakfast, before lunch, before tea and before dinner". As an industrialist and the first non-lawver to head the Commission, Mr Odgers was seen as Mr Heseltine's

Mr Odgers' industrial credentials made him an ideal candidate for the task of bringing a more pro-industry focus to the work of the commission.

At Tarmac, he revived the construction company, increasing turnover from \$85m to £1.6bn during his seven-year spell. He moved onto British Telecom, first as deputy chairman and chief financial officer and then as group managing director under the chairman-ship of Mr Iain Vallance.

was a very difficult time [at BT], says Mr Odgers. The telecommunications group was experiencing widespread problems and after "struggling manfully" with these for four years, he left suddenly in early 1990, returning to the construction industry as head of Alfred McAlpine.

Mr Odgers put his abrupt departure from BT down to "a clash of management styles" with Mr Vallance. One-on-one relationships are always difficult, he explains, unless there is real understanding and a coincidence of style.

Perhaps I was too inflexible in some ways in my commitment to decentralisation and in my views about how a business should run to make the relationship work."

# Competition supremo

Robert Rice speaks to Graeme Odgers, head of the UK's Monopolies and Mergers Commission

Mr Odgers' public sector experience is also thought to have impressed Mr Heseltine. In the early 1970s he spent three years as head of the DTI's industrial development

Peter Walker was then trade and industry secretary. But by the time Mr Odgers had taken up his appointment, there had been a change of government and he found himself working for Labour's Tony Benn.

The Conservatives saw the IDU as a vehicle for handling regional aid under the Industry Act; but under Mr Benn its role widened and Mr Odgers found himself heading the investigation and negotiation of support deals for lame duck mpanies such as motor manufacturer British Leyland.

"Heading the IDU in the middle of an industrial crisis and trying to reconcile the political aspirations of one's masters with the industrial and commercial realities of the marketplace was what I call a chal-lenging job," he says. He found the experience "riv-

eting"; so much so that when the opportunity of returning to the public sector presented itself - as as head of the MMC - he had little hesitation in

The only hole on his curriculum vitae as far as the MMC job was concerned was the lack of a legal qualification. At the time of his appointment, this lacuna was seen by many as an advantage: Mr Odgers was viewed as a hands-on industrialist prepared to inject some much-needed pragmatism into the legalistic procedures which surround UK competition pol-

Three and a half months into the job, Mr Odgers is not so sure. The commission operates within a legal framework, he says; failure to observe the law would result in its decisions being challenged in court. Mr Odgers has therefore been put through a series of tutorials with the Commission's lawyers, which he describes as



Odgers: off to a good start with the MMC's British Gas reports

"rewarding, but hard work". So is he Mr Heseltine's man? "Obviously, given my background, there was no way I was going to approach the job from a legalistic point of view. When looking at the public

As an industrialist and the first non-lawyer to head the MMC, Odgers was seen as Michael Heseltine's man

interest criteria I'm bound to put full weight behind the industrial and commercial considerations."

He is, nevertheless, a firm believer in the importance of

competition. "If you don't have a sound competition environment you're not going to have sound competitive indus-

"But," he adds, "competitiveness - the ability to compete in whatever is the relevant market - is also hugely impor-

Does this mean that the enforcement of competition policy must be flexible - that it is pointless having strong competition in local markets if it prevents companies competing on the world stage?

What I'm saying is that you have to identify what the relevant marketplace is in each case. What you don't want is, in stimulating competition within local and domestic markets, to stop your relevant industry competing in what turns out to be the real

marketplace, which may be the European or an interna-tional marketplace. "Sometimes these conflicts occur and one has to take it

"Having said that," he adds, "the best stimulus to the creation of strong international competition is a strong competitive framework within your own domestic marketplace. If you don't have it, you'll have soft industry."

Mr Odgers is happiest talking about competition and its relationship to competitive ness. He is less forthright on other issues such as reform of competition law, relations with the European Commission and the structure of the UK compe-

Mr Karel van Miert, EC competition commissioner, but foresees no problems in reaching common ground on a variety of competition issues with his EC counterpart.

Nor does Mr Odgers see the need for radical change to the UK law on the abuse of monopoly power - a view shared by his predecessor, Sir Sydney Lipworth. And he is cautious about any change in the relationship between the MMC and the Office of Fair Trading; he welcomes the recently announced government review

As an industrialist Mr Odgers is aware of industry com-plaints about the duplication of effort between the OFT and the MMC and the administrative burdens this places on parties involved in investigations. Mr Odgers would like to streamline and speed-up procedures, but maintains that, if the MMC is to do its job properly, then there are inevitably going to be burdens on industry. The process is, he says, "a balancing

Like his predecessor, Mr Odgers would welcome the appointment of more hands-on industrialists to the MMC but recognises the difficulties many prospective candidates would face in devoting sufficient time to the commission. Barely 100 days into the job, has he changed his views in

Shanks & McEwan, the waste

management company, has hired Colin Brown from Exxon

Chemical as the new

operations director of the envi-

Since he lives in the New Forest, Brown will be not too

far distant from the incinera-

tion plant at Fawley, one of five sites around the country

for which he will be responsi-ble and which was last year

fined for discharging arsenic

He also has the advantage of

having worked in what Shanks

& McEwan calls "a very closely

allied industry". "They [Exxon] make the stuff and we destroy

it," a company spokesman

into Southampton Water.

ronmental services division.

any way since arriving? He says he had not appreci ated the full extent of the difficulties of competition policy. There are all sorts of internal dilemmas and inconsistencies which make any MMC judgment "so much more difficult than I had originally thought".

↑ he dispute between Mrs Patricia Ashmore and other Lloyd's Names and the Corporation of Lloyd's, will be heard by the Court of Appeal in February next

It has been before the courts since 1988. After much effort and money was spent on the full trial, the Corpora-tion asked that the preliminary issues of law be tried first, thus avoiding publicity for the underlying facts. The plaintiffs' objections were overruled by the Law Lords.

Deciding the issues of law a year ago, Mr Justice Gate-house ruled the Corporation has no duty of care towards its members and has immunity from damages. The final decision will affect the readiness of Names to underwrite risks and the City's reputation as a place

where contracts are performed in good faith. English law is different in that it does not include a generalised concept of good faith and fair dealing. To achieve the same effect judges developed a variety of devices. Thus for 200 years the courts of equity have refused to enforce contracts which no sane, honest or fair-minded person would accept, calling such contracts "unconscionable".

Trustees, and directors of companies, are bound by a fiduciary duty, while a duty of care, not to cause harm to their employers and inform them of potential dangers, is implied by law in such contracts as are daily concluded by agents or builders.

One would assume that these rules, without which business could hardly exist, bear on the relationship between Names and the Corporation; and that they are reinforced by special Lloyd's Acts between 1871-1982.

But this was not the judge's view. He rejected the plaintiffs' claim that the Corporation had a duty of care to protect them against misbehaving or dishonest agents managing Lloyd's syndicates, and to inform them in time of misbehaviour so they could

The judge also accepted the extensive interpretation of the immunity from damages granted to the Cornoration by the 1982 Lloyd's Act in respect of their statutory

Both companies are also favourite targets of the green

lobby - Exxon will long be

associated with the Valdez

disaster, while Rechem,

acquired by Shanks & McEwan in 1991, has been under fire

particularly at Pontypool,

where it destroys toxic waste

Brown's appointment is not directly related to the Pollu-

tion Inspectorate's recent

warning, in the course of its

licence renewal, that Ponty-

pool should improve the moni-

toring of its toxic emissions,

according to Shanks. Instead.

David Wheeler, the previous

managing director of Shanks &

such as PCBs and dioxins.

**PEOPLE** 

Brown to take on Rechem's problems

Good faith at risk

Lloyd's case reveals a lacuna in English law, according to A H Hermann

duties. He ruled that it also encompasses breach of contractual duties about which the Act is silent.

The Court of Appeal will be asked to say what are the implied contents of the con-tract concluded between a Name and the Corporation. By such contracts Names allow agents managing Lloyd's syndicates to un write in their name risks for which Names then bear unlimited liability. They must not interfere with the business of the agents, who are not members of the Corporation, but who are admit-ted and supervised by the Corporation and report their

dealings to it.

tual agent to obey his principal's instructions, it would appear managing agents are organs of the Corporation and it is the Corporation which is the agent of Names. This argument, which the plaintiffs seem to have overlooked, is reinforced by the fact that all premiums are collected by brokers admitted and supervised by the Corporation, and who also acted as managing agents of syndi-

As it is a duty of a contrac-

removed. The contract leaves Names two safeguards: an individually agreed limit on total pre-miums, which limits the risk that may be underwritten in their name: or the statutory assurance that the object of the Corporation is to protect and further Names' interests

cates until 1987 when this

conflict of interests was

and keep them informed. Only the Corporation knows, or can take steps to know, whether the premium limit has been exhausted, and

McEwan (Environmental Ser-

vices), which incorporates Rechem and the technical ser-

vices division of Shanks, had

felt he himself had enough

operational experience, but his

recently appointed successor, Mike Averill, wished to rein-

Brown, 38, a chemical engineering graduate from Bath,

who joined Exxon 16 years ago, will be in charge of Fawley and Pontypool, the high tempera-ture incineration plants that

are part of Rechem, as well as Stewartby, Teesside and Tul-

los, all three part of the chemi-

cal treatment operation that comprise Shanks & McEwan

troduce the post.

it seems to be its contractual duty to stop the limit being overstepped. When inviting a prospective name to sign the contract, the Corporation gives him documents claiming that it controls the admission of the control of the cont sion and operation of brokers and managing agents. He who claims influence

and power in making a con-tract should exercise it in performing it. Or, as Sir Henry Fisher, the judge, wrote in his 1980 report, the Names "can reasonably look to the committee [now the Council for protection".

Council] for protection".
The Corporation's duty to respect the premium limits and inform Names of any doubt about the skill and honesty of the agents must be on the mind of the parties when signing the contract as "a matter of course" – a test

of implied duty.
The other test, that such implication is also necessary, is obvious: no person in his right mind would put in another's hands not only his fortune but also the power to bankrupt him by undertaking in his name risks without limit; nor would be forgo the right to be informed about mismanagement or dishonesty by those underwriting

7 . -

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anders.

risks in his name. If the higher courts decide that the Corporation has such a duty of care towards Names, the case will return to the High Court for trial.

To succeed, the plaintiffs will have to prove the Corporation failed to protect them against exposure to risks substantially exceeding the agreed premium limit and that the Council did not even inform them of the conclusions of the Chester Committee of Enquiry. This alleged certain underwriters and brokers were claiming they kept business within the agreed limits when they were exceeding them.

The plaintiffs add that the Council allowed the agents to continue to operate on behalf of the Names though it found the Chester report's allegations serious enough to stop new Names joining the criticised syndicates.

The Corporation has made number of reforms and is eking corporate investors to underwrite insurance. The latter are likely to press for better internal controls. Yet the outcome of the appeal remains of great significance.

### 

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### Bodies politic



■ George Lansley (above). senior partner of MCP Management Consultants, has been appointed president of MANAGEMENT CONSULTANTS.

■ Peter Bradnock, previously executive director, has been appointed director general of the BRITISH POULTRY MEAT FEDERATION; he succeed Peel Holroyd and is succeeded by Yvonne Sired who also mains executive secretary.

■ Tony Lancaster chairman and chief executive of GAN Minster Group, and Reg Brown, chairman, Octavian Syndicate Management, have en elected president and deputy president respectively of the INSURANCE INSTITUTE OF LONDON. as from October 4.

Roger Westwood, president of the Society of Pension Consultants, has been appointed chairman of the OCCUPATIONAL PENSION SCHEMES JOINT WORKING W Graham Marriner, head of

the telecommunications

information group at the Post chairman of the TELECOMMUNICATIONS MANAGERS ASSOCIATION. ■ Chris Harris, director of Marine Emergency Operations at the Department of Transport, has been selected, following an open competition, to be the chief executive of the MARINE EMERGENCIES ORGANISATION executive agency when it is established

#### Peter Allen retires early

Peter Allen, the deputy chairman of accountants Coopers & Lybrand, has announced his intention to retire from the firm in April next year when he will be 56. His departure follows the decision by Brandon Gough, chairman of Coopers for the past ten years, to step down when his current term finishes

in\_April 1994. These moves clear the way for elections from among the partners for a new chairman, who will be able to select a fresh management team. The vote takes place in November. Coopers says that Allen had told his partners earlier this year that he would be retiring and that he intends to take on a number of non-executive

He joined the firm in 1963 from university, became a partner in 1973 and partner in charge of the London office in 1983 before becoming managing partner in 1984.

He led a team that nego-tiated the merger with Delotite Haskins & Sells in 1990 and after that became deputy chairman with responsibility for overseeing UK activities and acting as chairman of the management consultancy practice across Europe.

Other departures ■ Edward Low has retired from STAVELEY

INDUSTRIES. Hamish Inglis has retired from WATSON AND PHILIP. Michael Carr, deputy chairman of GRESHAM TRUST, has retired. ■ Mike Walmsley has resigned

as a director of J. BIBBY & SONS. Graham Musson is leaving the BM GROUP; Graham Hall is resigning as a director of the group on completion of the disposal of BM Plant and Talbot Diesels.

Peter Mackenzie, a director of Sulzer (UK) and head of the textile machinery division, has retired.

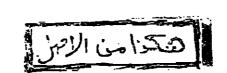
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#### The Proms

### Sackman's 'Hawthorn'

Nicholas Sackman, the 43-year-old English composer, had this year his first commission for the BBC Proms. The result - a 25-minute piece for large orchestra entitled Howthorn - was revealed in the Albert Hall last Thursday, in a concert by the BBC Symphony under Andrew Davis, and will surely have proved immensely gratifying to all concerned. Sackman's output is not large (Hawthorn is only his second orchestral encounter); he works out his material with spare, unwasteful concentration; his concerns are not at all those of current fashion (i.e. minimalist note-spinning of the Holy-Mystic or the Neo-Brutalist

Howthorn is an example of Sackman's tautly contained musical argument, yet it manifests an intensity gradually but incluctably built up, a cumulative power that I have not experienced in his music before. This may have been the "release" provided by a large orchestra, or by the novel (Giyn Hughes's *The Hawthorn Goddess*) which supplied the work's initial instruction. inspiration.

Whatever the cause, the music in a continuous three-part (fastslow-fast) structure - states its terms with remarkable confidence in their potential, and a control of their dramatic unfolding that kept me intent on the progress of every note. Those terms, described in wildly oversimplified fashion, might be said to be the central opposition of crabbed, jabbing, harmonically complex chordal chunks, rhythmically charged in their groupings, against lyrical lines growing ever freer and lengthier. In the finale, after the ruminatively spacious slow movement has run its course, the argument snowballs to its expansively lyrical coda with an exhilaratingly unstoppable energy which one senses had been

honestly earned. The orchestral colouring is comparably rigorous, with no element of artificial ear-catching, yet similarly strong - punchily athletic brass, airily striding strings, everywhere a "personal" command of timbre and texture. If (as Sackman suggested in a laconic programme note) Hawthorn is indeed something of a dry run for a possible opera based on the same material, I hope our opera administrators are already battling it out for the honour of realising that possibility.

Under Davis, always a sympathetic, precisely commanding interpreter of complex new works, the BBC Symphony gave the impres-sion of relishing Sackman's rogged contrasts - rather more so, indeed. than earlier they had the glitter of Prokofiev's First Violin Concerto. But though the accompaniment was delivered with a sensational blend of virtuosity, sophistication and purring sweetness: Maxim Vengerov, 19 years old, was making his proms debut, in a way to cap even he most noteworthy of his previsus London appearances.

Another of Davis's special gifts is 10th-century English music of an lder and on the face of it. less hallenging character, to which he rings such sweeping conviction hat every ounce of original freshless is recovered. On Sunday, with he BBC Symphony Chorus and rchestra, he revealed this gift new. Delius's Sea Drift had homas Allen as a mature, affectng baritone soloist; John Ireland's iano Concerto showed Kathryn tott in sporkling form; in Elgar's he Music Makers Jean Rigby's ch-hued mezzo was at once powerally emotional and tenderly retient. All three works are Proms arhorses, yet Davis allowed no int of laxity or routine to spoil teir latest appearance there.

Max Loppert

#### The Edinburgh Festival



# Past echoes of reality

William Packer catches the Gilman collection of photography

he Waking Dream is the one serious exhibition of visual art, of any sort, that this year the Edinburgh Festival acknowledges as part of itself. No matter that it comes fully fledged from the nest of the Metro-politan Museum of New York, and flies on to the Hermitage at St Petersburg for the winter: the Festival's engagement with the visual arts was ever thus - indifferent, opportunistic, conscience-free. And we, for our part, should simply be grateful that so many remarkable and wonderful images have been brought over for our delight.

The collection is the creature of Howard Gilman, present chairman of the paper company founded by his grandfather, who has concentrated his interest on photography's first 100 years, that is to say from the moment of its first practical demonstration by William Fox Talbot in the late 1830s up to the eve of the second world war. As a period it would seem to fit well enough, a nice round number that embraces all the principal technical developments, notably the progressive miniaturisation of the equipment and the ever-increasing ease and flexibility of its handling.

But perhaps such scope was, in the event, something of a snare and of the show, and of the splendid book-cum-catalogue that goes with it, lie rather with the work of the first 60 or 70 years and its story of early experimentation, rapid maturity and sophistication and at last the conscious expressive potential achieved by the turn of the century. The 20th century is simply too rich a subject to warrant the afterthought allowed it here. Had the show ended at the first rather than the second war, the point would

have been better made. The point, to be fair, is half-acknowledged in the title of the show, which is taken from Keats's "Ode to a nightingale" and worth the full quotation: "Was it a vision, or a waking dream?/ Fled is that music - do I wake or sleep?" To catch the fleeting image on the wing, as picking notes out of the air, had always seemed quite beyond human reach. The note was played and was gone even as it was heard: and the thing seen? That too was gone or was changed even as it was seen, to be recalled only in its simulacrum. The excitement at seeing those

first shadowy, ghost-like echoes of reality appearing on the page may only be imagined, but it was real enough. Even now we may catch something of it, if only the faintest hint, not as excitement at all but in the poignant frisson of recognition we feel as we look again at those gentlemen, so studiedly negligent in their stovepipe hats, those women sitting in dappled sunshine on the lawn, that broom still leaning against the door.

It is the nicest irony that photography should have suffered ever since by the expectation raised at its very invention, that here was a mirror held up to nature. It was

never, could never be, any such thing. The double-irony is that whenever it aspires, therefore, to the condition of art, its inherent and apparent realism is held against it, with affectation and self-indulgence summoned in aid. The truth of it is simple enough. Any fool can use a camera, or a pencil or brush for that matter. The camera is a tool available to the artist, with its peculiar virtues, limitations and disciplines to master and exploit. It is not its picking-up that makes him so but only the use he makes of it.

What makes so many of these early images so potent in their



Alice Liddell as The Beggar Maid, by Lewis Carroll (Charles Dodson), 1859

effect upon the imagination is that whatever else they might have been thinking of, the photographers were primarily engrossed in the mastery of their medium. There is to their work a quality of definition and deliberation that can only be a function of the equipment to hand, and the opportunities it afforded. With everything ready and the pose set, even the landscape seems to hold its breath. Does it matter whether Lady Hawarden, using her daughters and nieces as her models at home in South Kensington, or Horatio Ross out stalking on his Scottish estates, thought of themselves as artists or mere amateur technicians? The images they produced are manifest works of art.

The much smaller exhibition, Photographing Children, hung low on the wall for the benefit of its young audience, contrives to ask many of the same questions of the photographers' attitudes and intentions. Its subject is the child, as photographed from the Edinburgh urchins of Hill and Adamson in the 1840s, through the conventional studio portraiture of the later Victorians to Roger Mayne's Gorbals urchins of the 1940s and so on to the documentary and reportage, of such as Iain Stewart. Francine Dunkley, Owen Logan and John The work throughout is wonder-

fully appealing, and yet it is a curious paradox that for all the technical advantages and freedoms enjoyed by the modern practitioners, their material seems less definitive and universal in its imagerv. and more incidental, narrative and sentimental. Is it that just another exposure is, well, just another exposure? Is it that the taking of the photograph is now so easy that all effort and consideration is directed at the mis-encène? Or are we simply too close to them to say? Perhaps we are. And perhaps this present glossy professionalism in time will take on the qualities we find even in the vintage prints of the 1950s.

The Waking Dream: Photography's First Century: selections from the Gilman Paper Company Collection; City Art Centre, Edinburgh, until October 2. Photographing Children: Scottish National Portrait Gallery. 1 Queen Street, Edinburgh, until October 3: sponsored by EAE Com-

### Mark Morris: three of the best

he audience cheers Mark Morris's second Edinburgh programme even more than the first - as do I. It includes three pieces all new to Britain: the J.S. Bach Jesu, meine Freude (good), the Michelle Shocked-Rob Wasserman Home (better), and the Lou Harrison (best). As in Programme One, the live music is so excellent you could shut your eyes all evening and have a great time. But I imagine that most people, while leaving the Meadowbank Stadium at the evening's close, must feel mighty bewildered - as do I. Who is Mark Morris? How in the world can the same man make three pieces so unalike?

As everyone must know by now, Morris makes homosexual dance look as natural as betero-; and in this respect he is a breakthrough choreographer. But Jesu, meine Freude shows another breakthrough side of him, lesser-known; that he means dance to express religious as well as secular conditions. It is very odd to see a dance set without irony to a Bach devotional cantata. Odd, because for over 16 centuries Christianity has been the religion most determined to divide flesh from spirit, and to make dance an irreligious and profane art. But here are 10 of Morris's dancers - dancers of various races, dancers with more flesh than you see in ballet, dancers linked in various AC/DC couplings rapt in religious devotion.

As a dance. Jesu meine Freude is bright with internal variety. Passages of severe upper-body gestures (reflecting the rigours of religious contemplation) are opposed to sequences of fluent, travelling dance (suggesting the lyric transports of religious rapture). The for-mer keep leading to, are the premise of, the latter, and both grow naturally out of the music. I do, however, detect a certain absence of spontaneity, a slight nearer-my-God-to-thee self-conscious holiness, in the movement style that keeps me from surrendering to this dance's spirit.

Home, by contrast, is a powerful and poetic piece of secular Americana. Set to music composed and performed by Michelle Shocked and Rob Wasserman, it consists of six sections. Numbers 2, 4 and 6 are country music, communal dances, bright-spirited affairs, in which men and women "clog" in leather shoes. Numbers 1, 3 and 5, however, are scenes for women without men.

dark and bleak scenes of women in the agricultural mid-West, while Shocked sings with thrilling force of (no. I, "I Need a Friend") loneliness, (no. 3, "Still-born") depression, and (no. 5, "Winter Wheat") impatience. As Home alternate between these two tones, it grows ever more moving, harsh and compassionate at the

The evening ends with an extraordinary work, an utter knockout work, Grand Duo, a four-part dance for full company. (Its final section. Polka, was seen here last year, the rest is new.) The music is by Lou Harrison (b.1917), an American com-poser whose music Morris has used before; what music of his I have heard strikes me as so superb that I am amazed how seldom it is played here. This Grand Duo for Violin and Piano, though composed only five years ago, is vintage modernism: driving, fragmented, with elements of folk music thrown into its furious

Alastair Macaulay wonders how the same man can make three pieces so unalike

The tribal dance that Morris has made to this music is like the Rite of Spring you always wanted to see and never have. It is, at one and the same time, (a) a brilliant piece of primitivism, a pulsing vision of an archaic community, (b) a shocking portrait of neurological disturbance, an assembly of people seldom touching but united in violent and helpless gestures that need to be exorcised, their alarmingly frenetic energies emerging from deep within, (c) a work that shows people like cogs in a vast impersonal

device, driven by machine rhythms.

Grand Duo is the most thrilling new dance I have seen for many a long month. It is, I believe, the greatest thing that Morris has made since the 1989 Dido and Aeneas; and, like that and other works of his, a masterpiece. Every praise to the dancers, who are the committed embodiment of Morris's grand design. Because of them, liking his dances is the easiest thing in the world. They make you fall in love again with dancing, dancing to music, dancing as instinct and life

### Scottish Variety – the **Fabulous Fifties**

resolutely elitist this year (nothing wrong with that, of course.) But it did throw up its skirts once - for performances of Scottish Variety - the Fabulous Fifties.

This was a recreation of the last days of the music hall, when all the Grands and Empires throughout the land still presented weekly variety bills consisting of rough comedians and twee sopranos, drag acts and dog acts. But the show at the King's Theatre was hardly a recreation. The theatre has changed little in 40 years. There is the red plush curtain; the brightly painted backdrops: the illuminated number board at the side to identify the acts; and, bless 'em, many of the old performers, Jimmy Logan, the Tiller Girls, and yes, even Susan Maughan, still hoofing it.

Time really was frozen. "Mr Happiness". Johnny Beattie, told jokes about seaside landladies and those idiots from Glasgow with impeccable timing; the Tiller Girls jack-

The Edinburgh Festival is knifed across the stage, smiles superglued; there was even another chance for that extinct art form, the Scottish sketch, with a Rangers fan converting to Celtic on his death bed so that the auid enemy would have one less supporter.

Of course you were reminded how awful much of it was - the 1950s must have been the worst decade for music this century - and some acts survived on routines that would make Bob Monkhouse blush. But it was clean and jolly and it really was variety. So what if the trampoliners muffed their climax: who cares if a Tiller tumbles; and tough luck that Susan Maughan is no longer "Bobby's Girl". The entertainers of the 1950s were at one with their audience and any snarling, expletive-ridden alternative comedian would have been silenced at last by this display of genuine and joined in the National Anthem at the end.

**Antony Thorncroft** 



#### **AMSTERDAM**

oncertgebouw Tonight: Iona rown directs New Sinfonietta. msterdam in works by Tippett, ridge, Elgar, Bach and Corelli. omorrow: Riccardo Chailly anducts Royal Concertgebouw rchestra in Ketting, Stravinsky nd Rimsky-Korsakov. Thurs: Leonid dn conducts Hague Philharmonic rchestra in all-Tchaikovsky rogramme, with cello soloist Tim ugh. Fri: Lucia Aliberti sings Italian pera arias. Sun: Heinz Holliger onducts Junge Deutsche hilharmonie in works by Holliger, eress and Schumann, with plano ploist Andres Schiff, Next Mon: ard van Nes song recital. Sep 4: do de Waart conducts Mahler's econd Symphony CBSO (24-hour nformation service 675 4411, ticket eservations 671 8345)

**ANTWERP** n International festival of cathedral oys' choirs takes place this week I various historical churches (225 323). Borodin Trio plays works

by Rakhmaninov and Tchaikovsky tomorrow at deSingel. A tableau vivant celebrating the 500th anniversary of the 16th century poet Anna Bijns can be seen on Fn, Sat and Sun at St Niklaaspleintje. Next Mon at deSingel: Mariss Jansons conducts Oslo Philharmonic Orchestra in works by Schnittke, Dvorak and Shostakovich (Antwerp 93: information from Grote Markt 29, B-2000 Antwerp, tel 03-226 9300; booking by telephone from Tele Ticket Service tel 070-233233 or in person at Fnac, Groenplaats, 2000 Antwerp)

#### **ATHENS**

Odeon of Herodes Atticus Thurs and Fri: State Theatre of Northern Greece presents Sophocles' Electra. Next Tues, Wed, Thurs: Zarzuela evening with Amadeo Vives Company. Sep 6-10: Cullberg Ballet (322 1459)

#### ■ CHICAGO

RAVINIA FESTIVAL Tonight: The Hitmakers. Tomorrow: Gospel night. Thurs: Franz-Paul Decker conducts Ravinia Festival Orchestra in works by Mozart and Richard Strauss. Fri: Spyro Gyra and the Brecker Brothers. Sat. John Lee Hooker and John Diamond. Sun: Viennese night. Next Mon: actor Christopher Plummer takes a personal stroll through literature. The festival runs till Sep 6 (Tel 312-728 4642 Fax 708-433 4582)

#### **■ COPENHAGEN** Tivofi Tonight: orchestral concert featuring works by Svendsen,

#### (3314 1002) **LONDON** THEATRE

Nielsen. Elgar and others.

Tornorrow: Marcello Viotti conducts

Otello, with Cornellu Murau, Renato

Bruson and Nelly Miriciolu. Thurs:

Reethoven Quartet of Rome plays

works by Brahms, Mahler and Beethoven. Sep 7-12: New York City Ballet (3315 1012)

di Siviglia, Tomorrow: Carmen.

John Neumeier's production of

Royal Theatre Tonight: Il barbiere

Thurs. Fri. Sat. next Mon and Tues:

Prokofiev's ballet Romeo and Juliet

Copenhagen Wind Quintet. Sat:

concert performance of Verdi's

 Hysteria: Terry Johnson's new play about Freud, set in London in 1939. Phyllida Lloyd directs. Previews from Thurs, opens Sep 1 (Roval Court 071-730 1745) Time of My Life: Alan Ayckbourn's new bitter-sweet drama. of middle-class family life in a northern city, with a cast led by Anton Rogers and Gwen Taylor (Vaudeville 071-836 9987) Much Ado About Nothing: Shakespeare's romantic cornedy, starring Janet McTeer and Mark Rylance (Queens 071-494 5040) Inadmissable Evidence: John Osborne's 1964 play about the collapsing world of solicitor Bill Maitland, played by Trevor Eve. National Theatre repertory also includes The Madness of George III, Alan Bennett's award-winning Hawthome, and The Mountain Giants, Pirandello's unfinished play about theatrical illusion, directed

by William Gaskill (National 071-928

 Separate Tables: Peter Bowles and Patricia Hodge in Peter Hall's double bill about hotel guests trying to come to terms with the ageing process and loneliness (Albery 071-867 1115) An Inspector Calls: West End

transfer of acclaimed National Theatre production of J.B.Priestley's psychological thriller (Aldwych 071-836 6404)

#### MUSIC/DANCE

Royal Albert Hall BBC Proms: in tonight's concert, Mariss Jansons conducts the Oslo Philharmonic Orchestra in works by Soderlind. Bartok, Stravinsky and Dvorak, with viola soloist Yuri Bashmet. Tomorrow's early evening concert features the BBC Singers, Matrix Ensemble and trumpet soloist Hakan Hardenberger in works by Weill. Grosz and Zimmermann, followed at 22.00 by a programme of Monteverdi madrigals with The Consort of Musicke under Anthony Rooley. Thurs: Pinchas Zukerman is director and violin soloist with ECO. Fri: Witold Lutoslawski conducts British premiere of his Fourth Symphony, Sat. Barry Wordsworth conducts BBC Concert Orchestra in Berlioz, Tchaikovsky, Saint-Saens and Rimsky-Korsakov, with soprano Nancy Gustafson, Sun: Roger Nomington conducts Haydn's The Seasons, Mon afternoon: Raymond Leppard conducts BBCSO in Britten, Dohnanyi, Ravel and Tchaikovsky, with soprano Joan Rodgers. Mon and Tues evenings: Kurt Masur conducts Leipzio

Gewandhaus Orchestra (071-589 South Bank Centre Tonight: Anglo-Chilean folk group Alianza. Tomorrow, Thurs, Fri, Sat:

Caribbean Carnival extravaganza. Next week: Opera Factory presents (071-928 8800) Sadler's Wells Daily till Sat: British Youth Opera presents La boheme and Le nozze di Figaro (071-278

Coliseum The 1993-4 ENO season, the first to be directed by the new team of Dennis Marks and Sian Edwards, opens on Thurs with a revival of Simon Boccanegra starring Gregory Yurisich and Janice Cairns. The opening week also includes performances of Kurt Weill's Street Scene, with Josephine Barstow and Lesley Garrett. The first new production is La boheme, first night Sep 15 (071-836 3161)

#### ■ ROTTERDAM

De Doelen Tomorrow: Richard Dufalo conducts Rotterdam Philharmonic Orchestra in works by Brahms, Grieg and Bernstein, with piano soloist Alexander Longuich. Next Mon: Heinz Holliger conducts Junge Deutsche Philharmonie in Holliger, Veress and Schumann, with piano soloist Andras Schiff. Sep 1: Arturo Tamayo conducts Rotterdam Philharmonic in Messiaen and Boulez (217 1717)

#### **■** WASHINGTON

THEATRE The Kentucky Cycle: Robert Schenkkan's tale of three families who settle, feud and die for the hills The play, divided into two parts played on separate evenings, spans 200 years of American history, with a cast of 20 portraving 72 roles. Daily except Mon till Oct 23 (Kennedy Center Eisenhower Theate 202-467 4600)

and hollows of eastern Kentucky.

 The Phantom of the Opera: Andrew Lloyd Webber's musical, directed by Harold Prince. Till Oct. 2 (Kennedy Center Opera House 202-467 4600)

 Shadowlands: a love story by William Nicholson based on the life of C.S. Lewis and his American wife. Till Sep 5 (Olney Theater 301-924 2739)

 Kvetch: Steven Berkoff's comedy, till Sep 26 (Woolly Mammoth 202-393 3939)

MUSIC

Wolf Trap Tonight: Natalie Cole, R&B. Fri: Anne Murray, easy listening. Sat: NRBO and Bodeans, rock'n'roll. Sun: Vince Gill, country. Next Tues: first of eight performances of Andrew Lloyd Webber's musical Jesus Christ Superstar. Sep 8, 9: Bob Dylan (1624 Trap Road, Vienna, Virginia, 703-218 6500) Blues Alley Jazz Supperclub Thurs

till Sun: Freddie Hubbard Quintet (1073 Wisconsin Ave, in the alley, 202-337 4141)

Merriweather Post Pavilion Tonight: Dance Theatre of Harlem, Paul Taylor Dance Company, Lar Lubovich. Thurs: Tom Jones. Sat: Steely Dan, Next Mon: Jethro Tull and Procol Harum. Sep 1: Tony Bennett and Count Basie Orchestra (301-982 1800)

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### The chancellor's dilemma: an inside view

# Don't borrow, charge

Current high

levels of public

spending mean

the only choice

facing Clarke is

between higher

taxes now and



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these articles has been that the state of public central economic policy problem facing

the government today. It is simply imprudent for the government to undertake spending which exceeds its revenues by a fifth. Borrowing £50bn a year, much of it from foreigners who may at any point decline to go on lending to us, is a

The problem has arisen partly because recessions are always bad for the public

Elections are also bad news, as spending is increased and/ or taxes are cut in the preelection period. The combination is unusual - governments usually do their best to prevent elections and recessions from coinciding - and it has proved lethal

The unexpected length of the recession, which meant that the election was repeatedly deferred while waiting for the elusive upturn, subjected the Treasury to two pre-election public spending

With the cards thus stacked in favour of spending minis-ters, public spending has, after three successive years of 4 per cent real growth, already risen by more under Mr Major than it did in the entire period in office of Mrs (now Lady)

The spending spree has coincided with a shortfall of revenue that has been intensified by the recession. Together these factors have created a borrowing problem more serious than that of the 1970s. the last time that the government borrowed on this

Now, as was the case then, new borrowing is causing the stock of debt to rise rapidly. Then, however, incomes were rising even faster because of inflation. So the government's debt-to-income ratio, which is the key variable, actually fell. Today's low rate of inflation means that the large borrowing requirement is pushing up the government's debt-to-income ratio extremely quickly.

There is, fortunately, time to deal with the problem. Though the finances are deteriorating rapidly, they do so from a very favourable starting point. The government's debt was less than a third of the national income around a half. It can still be stabilised close to the level that Mrs Thatcher inherited from Labour, though that will require difficult dec-

The problem is that any way out of the borrowing trap conflicts with other cherished objectives. Consider what the different options are: Raise direct taxes? Hardly, millstone round the neck of because the Conservatives

won a closely contested election by contrasting their own tax cutting record (and promises of further cuts) with Labour's shadow Budget, which penciled in higher taxes to pay for more public

spending. Increase indirect taxes? Less difficult politically, since a shift from direct to indirect taxes has been the thrust of Conservative tax policy since 1979. But putting up indirect taxes would raise inflation. and the underlying rate is already uncomfortably close to the government's new inflation target erected Britain left the since

Cut public spending? Too late to implement cuts in 1994-95, as the decisions have already been taken, but cuts in later years must be on the

Confronted with these unpalatable choices it will be very tempting to do nothing, especially if the recovery improves the public finances. The do-nothing school will also draw comfort from the Bank of England's success in funding the deficit. So far the markets have absorbed the

massive flow of new gilt issues without a tremor. Why risk disturbing a fragile recovery in the interests of reducing a large PSBR that isn't a

The answer to these siren voices is that borrowing is a problem. If it is not tackled now, it is hard to see when it ever will be. The fact that the debt is being sold relatively easily is little comfort. It is not hard to sell debt on a coupon of nearly 8 per cent when headline inflation stands at 1 per cent and the government s aiming to keep underlying inflation in the lower half of a 1-4 per cent band. The debt sales achieved this year are better than a funding crisis, but they also constitute a the taxpayer.

The interest charges on £50bn of debt come to £4bn per annum for future - 2 per cent on the income tax rate, with all the adverse higher taxes later effects on incentives that

public spending to show for it. And next year's borrowing will add another 1½ per cent, with more to come in later

Mr Clarke will find, like all borrowers that the longer he delays the correction, the bigger the problem he The brutal fact is that, with

public spending at these levels, the only choice facing Mr Clarke is between higher taxes now and higher taxes

Being an astute politician he may prefer to face up to the problem now, with the next election still some way off, rather than be forced into unwelcome action nearer to polling day. He may also reckon that putting up taxes in the coming Budget will make it politically easier to secure the necessary reductions in public spending next

ing, rather than cuts, because (as I argued in an earlier article) nobody wants to see lower standards of public provision. But if borrowing must be reduced and cuts are ruled out, the only alternative to putting up taxes is to introduce charges. This is a big political step, but the size of the problem, and the obstacles in the way of conventional solutions, calls for radical

There is no shortage of good

The government has already moved in the right direction on roads. The private finance initiative will bring new private funding in to road building, attracted by the prospect of making a commercial return on capital in the new world in which road users will pay for the use of premium

The crisis over the provision of university places for all those who achieve adequate grades would be quickly solved by making students bear some proportion of the fees, as happens in many other countries.

The quiet revolution in dentistry, where much of the work is now cosmetic and undertaken privately, points the way to the introduction of charges, for those who can afford it, for other health services. The "hotel charge" for hospital patients is one obvious example.

Mr Clarke has a reputation as a courageous politician, unafraid of tough decisions. He has said his instincts are tax-cutting instincts, but he is

not instinctively hostile, as some on the right are, to public spending. As a man of the "hard centre", he should seize his opportunity to steer a new middle course: maintain the standards of public provision but make those who can afford to pay for it

#### Bill Robinson

of the Institute for Fiscal Studies and served as a special adviser to the former chancellor, Mr Norman Lamont

### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

# Wind farms generate storm

From Dr Michael Grubb. Sir, In his article "An ill wind of change" (August 19), David Lascelles states that wind energy is "not a subject of rational discourse". It is a pity that one of the FT's finest writers then demonstrates this by raising five objections to wind power that betray a depressing misunderstanding of the issues involved.

Two of his five arguments are that the UK has no need for additional generating capacity and that the existing resource base gives little value to diversity. Both are true for the next 10-20 years; both are grounds for not building any additional capacity; both are arguments that have been consistently rejected by governments and many others in the support of nuclear power because they are too short

On the timescale that it takes to develop substantial capacity of any non-fossil source, current plant capacity will be outstripped, North Sea oil and gas production will decline, as will the availability of low-cost UK coal. And the outlook for imported oil and gas prices at least will become easingly volatile.

Mr Lascelles' third areument, that wind's variability is an important objection, is plain wrong. Variations in wind output cause far fewer operational problems than the tripping of a single main power generating set. Like an investment portfolio, what matters is the correlation of a new input with other variations on the power sys-

In fact wind energy is well matched to demand on a seasonable basis and many technical studies have shown the short-term variability, at the levels being considered over the next two decades, to be economically irrelevant.

The statement that wind energy is environmentally insignificant because its contribution will be very small is true for this decade. But in the longer term, "10 per cent of electricity" is neither small nor an ultimate limit, and its environmental benefit will be proportionately much larger because it will displace the dirtiest marginal plant on the system. It could easily displace 20-40 per cent of power system sulphur dioxide emissions, for Resource estimates are

largely subjective, but obtaining 10 per cent of electricity from the wind would require wind turbines to be a significant landscape feature in about 1 per cent of the UK, not allowing for any possible offshore siting. The acceptability of that is subjective, but public opin-ion surveys in areas that have wind farms reveal a large majority in support.

Which leaves us with the economics. Current wind farms are certainly more costly than power from new gas stations at current prices, or existing coal

But with the costs falling steadily as this nascent indus-try becomes a big business, it is likely to be competitive if tricity from new conventional.

gas prices rise and against new coal or nuclear stations. The central point is that new energy industries cannot be created overnight. The government has created a system of phased supports to reflect indi-

rect costs of conventional pro-

duction and to help the early

stages of an industry that is likely to be an important com-

ponent of sustainable energy

As part of a major project on renewable energy strategies, I at least have been led to the conclusion that it is a remarkably rational and valuable pol-

Michael Grubb, head, energy and environmental programme, Royal Institute of International 10 St James's Square, London SW1Y LE

From Dr I D Mays, Dr D Lind-ley and Mr M Trinnick. Sir, Anybody reading David Lascelles' article on wind farms can be in no doubt about his personal views on the development of wind energy. Regrettably, he rests his case

David Lascelles' article on the future of wind energy, published on August 19. provoked a large number of letters, both for and against the development of wind power. Here is a selection.

largely on the basis of erroneous information.

He claims that the recent decision to allow construction of a wind farm at Four Burrows in Cornwall is the fourth instance where the environment secretary has pushed through a wind farm against the wishes of people who live nearby. This is quite wrong. The other three projects referred to the secretary of state – Ovenden Moor, Kirby Moor and Cemmaes - were approved by local planning committees. The government decided that a wider examination in public should be undertaken.

At Four Burrows the inquiry ensued when the planning committee rejected the advice of its professional planning officers to grant permission.

The technology is certainly not, as Mr Lascelles argues "a long way from commercial operation. Let us be clear on energy costs. On sites having only a modest wind speed, the cost of wind-generated electricity over a typical 20-year plant life is about 6.5p per unit, and is coming down. On windier sites such as are found in parts of Scotland, the price can be substantially lower. Comparing this, on the same accounting basis, with the prices for eleccycle gas at 2.6p/unit and nuclear at at least 7p/unit. As things are at present

wind is not the cheapest. But the costs quoted here for conventional power projects do not include the external environmental and social costs that they incur. Evidence presented to the Commons energy committee last year showed that external costs added about 0.75p/unit for combined cycle gas and 2p/unit for coal and nuclear. Wind, which requires no fuel to be won or transported, produces no carbon dioxide or other atmospheric pollution and has no legacy for future generations. It does not suffer from the associated external costs. It is competitive

with coal and cheaper than Mr Lascelles seeks to belittle the significant contribution that wind energy can make to our energy needs. The UK has vast wind assets, almost half Europe's wind resource. This is equivalent to more than double



ing nature, siting constraints, and integrating it into a practical and flexible system it is reasonable to expect that wind energy could supply 16-20 per cent of our electricity early in the next century and provide

valuable diversity of supply. And what of land usage? To generate 10 per cent of our electricity from the wind would require wind farms extending over 1,200 sq km (not 4,000). This is only 0.3 per cent of the UK land area and because wind turbines occupy less than 1 per cent of the area in which they are sited, the actual land usage would be only 12 sq km. In the other safely graze and crops ripen

around and below the turbines. Of course, the main environmental advantage of wind is that it is a clean energy source. Were the policy, planning and regulatory frameworks to allow us to achieve the 10 per cent tomorrow, the immediate benefit would be to avoid pumping 30m tonnes of carbon dioxide, 30,000 tonnes of sulphur dioxide and 60,000 tonnes of nitrous oxide into the atmosphere each year and without the long-term safety commitment the nuclear industry has

yet to face.
Mr Lascelles might not like wind farms, but the evidence

power stations, we have coal at about 4.5p/unit, combined surveys shows that less than 10 per cent of the general public, including those living around wind farms, do not like them. The substantial majority

are in favour. What they are not is uneco nomic or unnecessary. I D Mays. D Lindley M Trinnick, British Wind Energy Association. Enton Court

Maylands Avenue, Hemei Hempstead, Heris HP2 7TR

From the Rt Hon David Howell, Sir, David Lascelles is quite right about wind farms. They are environmentally menacing while making not the slightest sense in energy terms. Even at the height of the oil crisis in the early 1980s, when I was energy secretary, I was never shown any evidence that wind power could become a remotely economic source of

electricity. Why the government should now be approving these intru-sive and mouning monstrosities in some of the most beautiful areas of our country l cannot understand. Cornwall and mid-Wales have already been scarred. Now there is a threat to dot these tall structures along the hills either side

of the Upper Wye Valley. I hope that on both environmental and energy policy grounds the government will withdraw its encouragement for any more of this desecration and waste. If we must have huge wind farms at all, they should be sited on the less attractive parts of our shore-

David Howell, MP, House of Common London SW1A QAA

Prom Mr Roy R Martindale.
Sir. May 1 congratulate David Lascelles on his most objective article on wind

As he indicates, it would take thousands of wind generators to reptace one large power station, and the capital costs involved clearly favour more traditional generating methods. However, I would point out that the economic argument against wind generation is even worse than that set out in the article.

In the UK, the highest levels of electricity demand can arise when there is a settled high-pressure weather pattern in mid-winter, producing sustained low temperatures. Such conditions provide little wind at times of greatest need.

Consequently, wind genera-tion requires backup alterna-tive generating capacity to avoid a shortfall in supply. The cost of this duplicate capacity constitutes an additional subsaly to wind generation. It also peses the question, why does one need two generating systems when one reliable one will do?

Roy R Martindale 42 Ruskin Close, Rugby; Warwickshire CV22 5RU

### Companies still weighed down by burden of tax regulations

From Mr Malcolm Bacchus. Sir, According to your article on deregulation and the Department of Trade and Industry ("Heseltine's crusade progresses in silence", August 20), Tim Sainsbury, UK indus-try minister, believes the message of deregulation has been "received and understood" and co-operation with other depart-

ments is "getting better". The members of the London Society of Chartered Accountants would beg to differ. From the perspective of our clients, while the government looks at a large number of petty regulations, it is failing miserably to tackle the largest burdens of them all - the tax and accounting regulations.

The Manchester Business School in 1991 estimated that an average business spent 20 companies will find the time per cent of its pre-tax profits they spend on tax administradealing with company and tax regulations. This percentage would have been higher for smaller businesses which make up the majority of British industry. Since then, of course, the recession has turned many profits into losses but the red

tape has not stopped rolling. The recently approved Finance Act, for example, was the second longest ever at 300 pages. It introduced no fundamental changes but dealt with so many issues in such techni-cality that all but the largest companies will be forced to turn to their tax advisers for more help. Many companies will be required to change their accounting or tax soft-

they spend on tax administration increasing still further, Pay-and-file, another recent piece of tax legislation, is also adding heavily to that administrative effort.

Before we are convinced that the message of deregulation has been received, let us see some positive co-operation between the Treasury (with the various tax authorities) and the DTI. Let us see all legislation evaluated for its cost/ benefits and a massive reduction in the tax and accounting trivia inflicted on us. Malcolm Bacchus,

Landan Society of Chartered

### FDA should accept performance pay

ware to cope, and almost all

From Mr Peter M Brown.

Sir, While welcoming the Treasury's offer to extend performance pay rather than automatic annual increments to First Division Association (FDA) civil servants, we were astonished to see the association claiming that actual pay rises for their members would be 1.25 per cent as increments

were self-financing.
In a recession, when recruit ment is reduced and promotion delayed, incremental salary systems are bound to add a higher than normal percentage

to payroll costs. It is partly for this reason that our hospital clients are examining alternatives to the

have resulted in 4 per cent increases in payroll costs in a year with a 1.5 per cent pay limit. Only the 1.5 per cent is taken into account when health authorities and others are negotiating treatment rates, which may help to

so many hospitals. Although easy to operate; incremental systems have had their day through their automatic awards for long service but often marginal perfor

explain the financing crisis in

I hope the FDA will not only Top Pay Research Group, accept the Treasury's offer but tupper ground floor champion, more actively. 9 Smoy Street, reward systems that allow the London WCAR ORA

opportunity to earn higher discretionary rewards. The recent Top Salaries Review Body Report highlights the increasing and serious differential between top public

and private pay. If automatic increments were dropped in favour of evaluated performance increases the nation could probably be much more willing to accept a significant increase in top civil servants, hadges, and, incidentally, MPs' basic pay. Peter M Brown,

#### Raise status of vocational training From Dr D P Smith.

Sir, While I agree whole-heartedly with the views expressed by Mr J E Troth regarding the stigma of the work-based vocational route for 16-year-olds ("Training on job needs better image", August 18), I would suggest that there are two main obsta-

cles to progress.

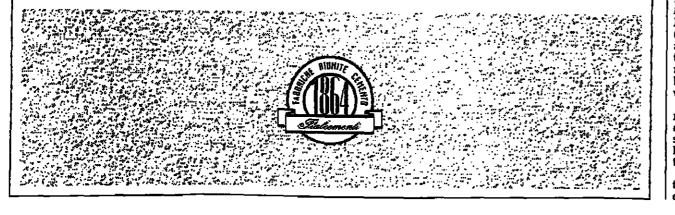
The first is the absurdity in which schools get a full year's money for each pupil entering sixth form, even if the pupil leaves after a few weeks; the second, a careers service that is both under-resourced and falls under the quasi-political control of the local education authorities which still control

most schools. One solution would be to make the careers service inde-pendent and give each 16-yearold a training credit (as advo-cated by the Confederation of British Industry), which could be used to pay for training at school, college or via youth training with an employer who offers a full-time job from day one. Payment would be made only on the achievement of

Real progress towards giving 16-years olds a genuine choice will be made only when we have a combined department of education and training that puts equal value on all post-16 education and training. DPS Smith,

HTA,

results.



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### FINANCIAL TIMES

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Tuesday August 24 1993

# Mr Clarke's challenge

KENNETH CLARKE was an institution's authority depends chancellor of the exchequer in waiting long before he became chancellor. He may already be regretting his temerity. By now he should be painfully aware that there are two kinds of chancellor. good ones and popular ones. The first unified budget, due in November, should make rather clearer what sort of chancellor Mr Clarke will be.

If a responsible chancellor is to be popular, he must be very lucky. Mr Clarke has had some luck. He inherits an economy that is not only on the mend, but enjoys low inflation by British standards. Even the Bank of England accepts that underlying inflation is likely to remain within the govern-ment's target range of 1 to 4 per cent over the next two years.

It is rare for anything in life to come unalloyed and Mr Clarke's luck is no exception. He also inherited a public sector borrowing requirement estimated by the Treasury at £50bn. or 9 per cent of gross domestic product (excluding privatisation proceeds), for this financial year. Mr Clarke's parliamentary colleagues tell him in response either that he must not cut public spending or that he must not raise taxes. Meanwhile, espectable economists tell him that the fiscal deficit is either mostly cyclical or that it does not matter very much. He is, in short, being told to hope for the best. This might seem sensible. It would, in fact, be rash.

Absurd practice

The unified budget brings Mr Clarke several important advantages in his attempt to deal with the challenge: it allows him to make explicit the trade-off between spending cuts and tax increases; it should also persuade even Keynesian economists that the lag between the announcement of measures and the beginning of the succeeding financial year renders fiscal fine-tuning unrealistic; most important of all, it can be used to justify a new level of openne

To his credit, Mr Clarke has already abandoned the absurd prebudget practice of "purdah". What has not changed is the secretive way in which tax changes are decided. The Treasury still insists on its unchallenged control over economic strategy. Unfortunately, on its performance.

Consent is no longer given unquestioningly to what chancellors propose, even on the Tory back benches. It has to be earned lf, as seems probable, Mr Clarke decides on further tax increases that will prove rather difficult. What the chancellor needs to do well before the budget therefore is to set out the situation, the pros-pects and the options, as the Treasury sees them. At worst, the opposing factions may then exhaust themselves in internecine debate. At best, someone may come up with valuable ideas on spending or taxation that the Treasury has not thought of.

Stable environment

Transparency is the first requirement. It is particularly important when policy is purely discretionary. Moreover, there is also an excellent chance of secur-ing long-term growth in the British economy. A second requirement, therefore, is clarity about the underlying principles for eco-nomic policy. One of those should be provision of a stable macroeconomic environment, with low inflation not merely secured but actively pursued. Another should be further rehalancing of monetary and fiscal policy.

For reasons expounded by Mr Lamont's former adviser, Bill Robinson, in his articles for the FT, further action to reduce the budget deficit will almost certainly be required. Once that is accepted, it makes no sense to postpone the adjustment, especially when its adverse macroeconomic effects can always be offset by monetary easing. Furthermore, the sterling exchange rate, this month's disso-lution of the ERM and the low growth of broad money all sugges that such easing is already both desirable and justifiable.

This leaves the chancellor the question of how precisely to go about cutting the deficit. Mr Clarke's desire is to preserve current spending plans, which means igher taxes. In the long term that is probably the wrong option, but in the short term there may be little alternative. Either way, choices have to be made. If he decides to avoid them instead. Mr Clarke is likely to go down as just another temporarily popular, bad chancellor.

### The choice that Russia needs

with Congress," proclaimed an FT headline just after Russia's president had won a convincing endorsement in last April's referendum. Four months on, the showdown is still awaited. Mr Boris Yeltsin and his parliamentary opponents continue their war of laws, decrees and corruption charges. His government is paralysed by faction-fighting. Power and money seep away from the centre to the regions, economic output declines, and Russians sink further into cynicism about their rulers. Without a decisive move to break these logiams, the point can not be far off when political drift turns into serious political danger. Now President Yeltsin says he is

Bridge Control

t airpit

at last about to make such a move: he plans to outflank congressional dichards by forcing early parliamentary elections this autumn. Congress will be asked to dissolve itself in order to allow the creation of a new assembly. If, as seems certain, it refuses, Mr Yeltsin will press ahead anyway. In one bound, he will be free to gov-ern as mandated; reform will be back on course; and a new parliament empowered to join in the creation of a more stable constitu-

tional order.

It would clearly be beneficial, both for Mr Yeltsin and for the cause of reform, to get rid of a parliament that dates back to communism and which has consistently passed Soviet-era legislation most recently a budget that amounts to a recipe for hyperinflation and a law that attempts to halt Russia's privatisation pro-

Ample opportunities

But there are several problems with that optimistic scenario. One is that we have heard it too many times before. In the two years since he led Russia from the wreckage of the former Soviet Union, Mr Yeltsin has had ample opportunities either to reform or defeat the parliament, notably immediately after the dissolution of the USSR. On each occasion, he has ducked, weaved and temporised, allowing his opponents time to counter-attack.

A second difficulty is posed by the effort to create a new constitution out of the old. The present constitution is a hopeless mess: it

"YELTSIN HEADS for showdown has been amended so many times by the current parliament as to be unrecognisable, and can now be used by Mr Yeltsin's opponents to mean almost whatever they want it to mean. Creating a new one confronted Mr Yeltsin with a nearimpossible dilemma. To get away with violating the law in pursuit of a better one, he needed to shore up his power base in Moscow and build a coalition of regional and republican leaders that would support him in his confrontation with parliament. This he has been trying to do over the past four months - but at the cost of a devolution of powers to the republics and regions that, if continued, would call in question the very survival of the Russian federation. As a result, he is so weakened that his latest manoeuvre seems more likely to deepen the confusion than to advance democracy.

Policy stalemate

This points to the third, and most important, difficulty for those - like the Group of Seven who have pinned their hopes for reform on Mr Yeltsin: on the evidence of recent months, he seems most unlikely to deliver. It is now abundantly clear that Russia's policy stalemate is not simply a matter of president versus parliament, or reformist ministers versus recalcitrant central bank; it is a paralysis at the heart of the cabinet and presidential entourage. The cabinet is both divided and incompetent, as shown by the rouble reform flasco last month; the reformers who once, briefly, seemed to act as a government within the government are fight-ing among themselves; and Mr Yeltsin seems powerless, or unwilling, to inject greater coherence into the business of government that goes on in his name.

It is hard to see how a few more months of parliamentary electioneering alone will resolve that problem. If there are to be elections, they would more sensibly be for both parliament and president Such a contest would give Mr Yeltsin - still held in some esteem around the country - a chance to spell out what he stands for. If he did so with sufficient vigour and clarity he would have a good chance of being re-elected. If not, the alternative would not necessarily be a disaster.

o lose a chairman may be regarded as a mistor tune; to lose a finance director as well looks like carelessness. For RJR Nabisco, the US-based food and tobacco group - best known for its Camel cigarettes and Oreo 'cookies' this year's calamities do not stop there. Over the same period it has seen its most profitable business, US cigarettes, wracked by a price war, and has been forced to abandon an ambitious \$1.5bn special shares offering. It has watched its share price dip to 85%, less than

half the level at which it was sold to investors two years ago.
The long list of problems have raised the question again of whether the company should be split between food and tobacco groups. In the wake of the aborted \$1.5bn "food share" issue this summer, which would have been tied to the performance of the Nahisco food division, a typical stockbroker's report commented: "This represents one more thing gone wrong and one more reason to avoid the stock."

The only person who seems publicly relaxed is the new chairman, Charles 'Mike' Harper. "I don't know that we're in a bind," he remarked cheerfully. "It's a whole wide wonderful world out there." But even Mr Harper would not deny that today's grim reality is far removed from the promises made in

1989 when RJR Nabisco was the subject of a record-breaking \$25bn bid masterminded by the financier Mr Henry Kravis, co-founder of Kohlberg Kravis, Roberts, the New York-based leveraged buy-out spe-

Then, the bidders talked about streamlining, about the disciplines which a heavy debt burden would impose on management; about the merit of shedding corporate "fat", such as private jets, and investing long-term to build brands. When the bid battle ended in vic-

tory for Kohlberg Kravis, Roberts, the financial world held its breath. It was the biggest buy-out in corporate history and marked the zenith of the feverish period of leveraged deals in the 1980s, when takeovers were funded by innovative debt instruments such as junk bonds.

Today, the widespread view on Wall Street is that RJR Nabisco has avoided many of the financial problems which have beset smaller leveraged deals. Companies ranging from Federated Department Stores to Trans World Airlines found that once recession struck, operating profits were insufficient to meet debt payments and had to file for protection under Chapter 11 of the hankruptev code.

Operating cash flow at RJR Nab-isco has been sufficient to meet debt repayment demands, and about half the total acquisition debt of close to \$30bn has been paid off. The large US credit-rating agencies, such as Moody's and Standard & Poor's, moved the company up from junk bond to investment grade status last year, thus confirming its finan-cial health.

The reduction in borrowings was helped by a programme of disposals which, although not trouble-free, was completed largely as planned. RJR Nabisco's European snack and biscuit companies to BSN, the French food group, and the disposal of Del Monte, the fresh and canned fruits business. More than \$6bn has flowed in from these sales.

But while the balance sheet has steadily improved, progress in terms of industrial strategy has been less satisfactory. On the tobacco side. RJR was struggling to demonstrate any sustained sales or profits advance in its single most important domestic business, long before rival cigarette marker, Philip Morris, slashed the price of its Marl-boro' brand and brought a simmer-

ing price war to boiling point. Domestic tobacco is critical to RJR Nabisco's fortunes in the short term, accounting for about 60 per cent of group operating profit. RJR's two main full-priced brands -Winston and Salem - lost market share in the early 1990s as discount brands grew in popularity. Only Camel, a smaller brand, made prog-ress on the back of a successful, if

Bullish

influence

No wonder former countries

of the Soviet Union are keen to hear from Pope John Paul II. The

rate of the country in question,

judging by Lithuania's experience

the Pope was planning to visit the

Lithuanian's currency, the litas,

has soared. Last month, the rate

going rate is 2.8 litas to the dollar.

Demand for the currency is based

flocking to Lithuania to see His

CUITEDCY.

since December.

on expectations that foreign visitors

Holiness will lead to a glut of hard

If this scenario proves correct,

then the Vatican can expect an

early call from the Ukraine

According to Morgan Stanley,

Ukraine's karbovanetz has fallen

by 90 per cent against the dollar

Sporting chancer

■ Would you run a mile for a

Observer. But Steve Cram is hoping

that his athletic exploits will inspire

Hard on the heels of the Hard Rock

fast food fans to cram into Heroes

restaurants he is about to launch

burger? No, neither would

of Sport, a chain of family

was five to the dollar, now the

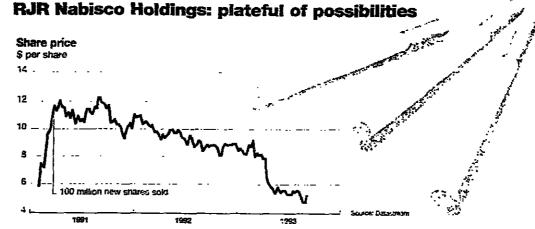
Baltic state in September,

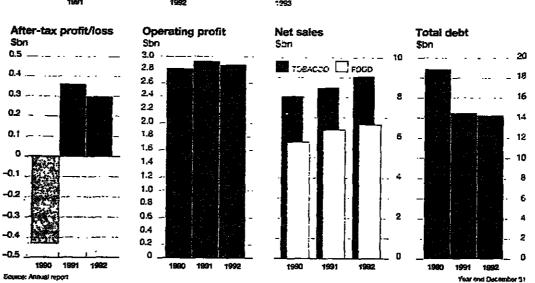
Ever since word leaked out that

mere mention of a papal visit seems to work miracles for the exchange

RJR Nabisco has cut its debts, but can it compete as a single group in the world of snacks and cigarettes, asks Nikki Tait

# Cookies offer food for thought





controversial, Old Joe Camel advertising campaign which critics claimed enticed children to smoke. Recently, RJR redirected its attention to the discount end of the US

cigarette market, and its total market share improved. But the gain was largely at the lower-margin end of the sector, so while sales rose 5 per cent to \$6.16bn last year, operating profits for the domestic tobacco division declined by 8 per cent to \$1.7bn in the 1992 calendar year. The food side has struggled for

different reasons. Shorn of its main international interests, Nabisco became heavily dependent on the US domestic market. But recession and the squeeze by retailers' own-label products on branded goods suppliers have meant that profits of cost-savings and productivity gains. In 1992, food sales were flat in North America, and the division's "business unit contribution" - core operating profits ahead of asset sale proceeds - rose only 3 per

Such was the state of the company when Mr Lou Gerstner, RJR Nabisco's chairman since the 1989 bid, departed to run International Business Machines in April. His departure proved tough for the company to handle. Seeking to minimise disruption - and knowing that the sensitive "food share" issue was in the pipeline - RJR Nabisco announced that two other members of Mr Gerstner's small head office team would become co-chairmen

Café and Planet Hollywood, Cram's

memorabilia, rather than the film

While Cram eventually plans

Manchester, Birmingham, Sheffield,

Coventry and central London, his

south Wales, in October. Let's hope

first venue will open in Newport.

it proves more successful than

Newport County Football Club

which went belly-up and dropped

■ If Tarmac does press the button

and have its rumoured rights issue soon, will the company mark the

occasion by changing its chairman?

Sir Eric Pountain, who turned

60 earlier this month, has had a

good innings and handed over the

executive reigns to Neville Simms

early last year. Along with Graeme

Odgers and Bryan Baker, he was

the reason Tarmac was regarded

companies in its field in the early

However, he was not the best

chairman for a recession and

Tarmac now needs an injection

of new equity to repair its earlier

chief executive on the board can

often make life difficult for a new

stamp on the company.

chief executive keen to put his own

mistakes. Having a powerful former

as one of the best-managed

cafés will feature sporting

and pop souvenirs normally

to satisfy the appetites of

out of the league in 1988.

Little by little

and chief executive officers. At the company's annual meeting iust days after Mr Gerstner left. Mr Lawrence Ricciardi, general coun-sel, and Mr Karl von der Heyden, finance director, performed a pol-ished double-act. But the carefullyengineered harmony was disrupted

two months later when Mr Harper arrived. Although many observers had suspected that the two-man chairmanship would prove temporary, the impression of a well-organised handover had been marred by Mr Ricciardi's earlier insistence that the dual arrangement was not short term, and Mr von der Heyden's resignation when the appointment of Mr Harper was announced.

e is no stranger to the rough-and-tumble of the US food industry. In the early 1970s, he quit Pillsbury (now owned by the UK's Grand Metropolitan) when it sold the poultry business which he headed. He moved on to run ConAgra, then a commoditylarge sums on the futures markets and was close to collapse. Slowly, Mr Harper started to buy up packaged food operations which other companies had rejected - including several from RJR Nabisco. Today, ConAgra brands include Wesson cooking oil. Hunt's ketchup, Armour meats and La Choy chinese

Rut it was Mr Harner's move in 1985, into "healthy packaged foods" that really made his name in the industry. He apparently conceived the idea while in hospital recovering from a heart attack. After his release he set about developing ConAgra's Healthy Choice line of frozen entrées. The products were a big success. ConAgra's fortuges blossomed, and Mr Harper became one of the food sector's most respected executives, despite the entry of rivals into the husiness Today, as boss of RJR Nabisco, he is quick to draw parallels between the company and the ConAgra of the 1970s. "There are lots of ways to

make money," he says, "and there is no magic in increasing earnings With ConAgra, we started with a debt-to-equity ratio of six to one.

Over a period of time, and by doing a few little things very well, we focused on increasing value from a shareholders' point-of-view. And that came down to getting good returns from any new capital that we put into the company.'

What, in the context of RJR, might these "little things" be? Mr Harper is loathe to discuss specifics, but outlines a few possibilities.

First, acquisitions will be a priority. "We intend to pursue opportunities - food and tohacco. Or it could be something else. I'm not going to commit myself to saying that it

This presupposes that both divi-sions remain under the same corporate roof. It was widely assumed that RJR Nabisco only attempted the complex "food share" issue because of the immense legal obstacles of a full demerger. Bond holders and litigants in tobacco liability lawsuits would have been unhappy in any case, while complicated debi covenants might have to be bought off. In the wake of the aborted stock offer, speculation that RJR Nabisco is reconsidering this possibility has

mounted, however. Mr Harper is non-commital: "Anything that's moral; ethical and legal will be done, but it would be inappropriate to speculate on any particular possibility."

On the food side, Nabisco has been trying to rebuild its international operations via a handful of fairly modest deals, centred largely on Latin America. This, says Mr

Harper, will continue.
"I think the food division will continue to build on that base, and

that's very logical. We don't want to get into a no-growth business in a slow-growth economy. That might suggest that in certain parts of Europe it could be difficult to find businesses. But I don't care where we find them, so long as they are growth vehicles and can be purchased at a price which will give us a darned good return."

Second, product innovation will be important. Mr Harper is quick to attack the widespread notion that RJR Nabisco has been tardy in introducing new brands, "I think the food managers have done a pretty good job of product development. They've brought out a great line of snacks, and now they're coming out with potato chips that have half the fat. These have never been near a deep-fat fryer, and they taste tremendously good." Mr Harper points out that 10 per cent of sales come from products brought to market in the past two

hird, fresh management objectives are being set. "The company has locused for a long time on the balance sheet and thank goodness for that. Now the focus is changing. Sure, there are going to be some more financings. But the focus of management is to make more money. It's a natural shift at this point in time.

"So there will be goals, there will be standards, there will be financial objectives. We will establish those; we will expect results."

But if a steady rebuilding of RJR. Nabisco - with emphasis on the food side – is Mr Harper's aim, does the company have enough resources to pursue it effectively? One drawback is that while many food industry competitors can concentrate on that sector alone, R.IR Nabisco has the uncertain cost of a cigarette price-war to contend with, plus a still-substantial debt burden. Moreover, its lowly share price and the withdrawal of the "food stock" issue suggest that new equity financing may be out of the question for

The answer, say some observers. lies in basic mathematics. The company is reckoned to generate "free cash-flow" - profits flowing into the company with depreciation costs added back - of just over \$4bn a year. About \$2.9bn is needed annually to pay interest on the debt, taxes and for planned capital expenditures. This leaves about \$1.2bn annually to pay off debt and to fund

How much of this balance will be consumed by the cigarette price-war unknown; "several hundred million" is the vague consensus on Wall Street. Future debt maturities, meanwhile, are reckoned to be fairly modest at an average of \$200m annually over the next few years", according to Fitch, the debtrating agency.

So are the company's resources enough to juggle acquisition spending with product development demands and marketing requirements? "Live with it?" Mr Harper says. "We can be aggressive with it,

Even with this price-war in cigarettes, we have substantial cashgood, and even after the great reduction in the operating income from tobacco, it is still very good. Some food people would think they'd died and gone to heaven."

RJR Nabisco's shareholders, however, may feel that heaven is a little way off. Partly as a result of the cigarette price war, many industry watchers predict a fall in after-tax profits this year; some suggest that it may even be uphill work to show any recovery in 1994. Not least of those concerned is Kohlber Kravis, Roberts, which still holds a controlling interest in the company. Three years after the takeover, RJR Nabisco's management is increasingly being measured by its ability to deliver in the real world of biscults, nuts, crackers and cigarettes, not by its skill in handling a balance sheet, slashing costs or shuffling assets. On that score, Mr Harper would seem to have his plate full. Mr Kravis can only join other investors in hoping Mr Harper's opti-mism is well-founded.

### **OBSERVER**



'Wrong kind of space' biggest in its sector. Today, in terms of market capitalisation, Blue Circle is nearly twice as big and Redland almost three times. If Sir Eric does choose to bow out. Sir John Banham seems the most likely internal candidate to succeed him.

Lerner's lessons

■ Who is behind MBNA, the major American bank which hit the headlines last week by getting a £7m grant out of the DTI to build a £43m headquarters in Chester? Whoever it was must have spun a good yarn to get that sort of

Ten years ago Tarmac was the The DTI and the Department

of Employment could not elaborate on the brief press release, and even the Bank of England admitted that MBNA had only got its banking licence a few days before the announcement. However, it sounds like a bank in a hurry, judging by the career of Alfred Lerner, its 60-year-old chairman. Lerner is one of those irrepressible sorts who just won't

let a little mishap get him down. Having made his first fortune in real estate, his second career as an investor in bank stocks seemed in danger of coming unstuck when he sunk \$158m into the Baltimore-based bank MNC, parent of Maryland National which had run into problems with dodgy Lerner even disappeared briefly

from the Forbes list of the richest people in the US. But not for long. In order to rescue MNC from its financial problems, Lerner helped spin-off its successful credit card operations as MBNA in 1991, and has never looked back. He earned \$139m last year, according to Financial World magazine's annual survey of Wall Street pay.

Public relations

■ A BBC television play called The Vision Thing, which is due for screening in October, must be causing some stage fright at one high-flying City public relations

The play concerns a clever young

PR flack whose smooth charm lands him the job of spokesman for the Tory party. One thing leads to another, and, as a reward for a spot of deceit and cover-up at election time, he is given the job of foreign secretary. Sad to say this promising career comes to an abrupt halt in a now predictable way. His illicit affair with a glamorous

young interior decorator is exposed after their pillow-talk is bugged by GCHQ and subsequently picked up by a retired building society manager who also happens to be an amateur radio operator. Not much to worry about in that

- except that the central role is played by one Nathaniel Parker, son of Sir Peter Parker, chairman of the Young Vic, and brother of Alan Parker, the smooth-talking boss of Brunswick, the City PR firm whose rapid rise to fame was crowned by its handling of the BT3

So uncanny is the resemblance that viewers who switch on half way through might even think they are watching a cinema verite documentary about the comeuppance of Alan. One only hopes they will be properly able to distinguish fact

Trail blazers

■ Meanwhile, how many PR men does it take to change a light bulb? I'm sorry. I'll have to get back to you on that one.

071-867 8777

# FINANCIAL TIMES

Tuesday August 24 1993



### Barter offers crumb of comfort

David Dodwell looks at how a trader helped a troubled US biscuit maker

WHEN Keebler, the troubled US biscuit maker, saw a high-profile product launch fall flat last year it was left with \$1m worth of unusable packaging.

Rather than write it off as scrap, Keebler talked to Atwood Richards, a leading US barter

Instead of buying the packaging alone. Atwood asked Keebler, the US subsidiary of United Biscuits of the UK, to fill the packs with biscuits and agreed to buy the filled packs - worth \$14m for sale only in markets where Keebler had no presence. Russia, Ukraine, Belarus and the Baltic states were targeted.

Keebler was to be paid in "trade credits", which were eventually exchanged for packaging, shipping services and marketing. Atwood used roubles paid by the Russians to buy local products and services.

Atwood also offered Keebler the right to take over the distribution network it had set up in

eastern Europe.
For Keebler the deal had many attractions: it did not have to write off out-dated stock; it exploited unused capacity on its production line to fill the packs; it was paid the full wholesale price - or its equivalent in trade credits - for its incremental production; and gained, at no cost. marketing and distribution net-

works in new markets. Atwood's distinction over 35 years as a trader has been to



The sector is traditionally associated with commodity trading, the former communist regimes of east and central Europe, and with the disaster-driven improvisations of companies trying to fend off the receiver.

It may be a men's suit maker who missed this season's switch to double-breasted suits; or a factory with spare capacity during the winter - or Keebler packaging made useless overnight by a new marketing campaign.

With an estimated \$13bn of unused or surplus merchandise in warehouses across the US alone, Mr Moreton Binn, principal shareholder in Atwood, has the chance to make barter wherever it is based. Garments account for perhaps 40 per cent of Atwood's overall

business. Seasonal goods are also significant as retailers seek to clear shelf space before autumn and winter. "The world is a buffet," Mr

Binn notes. "There is always somebody, some place in the world that uses or needs barter." Atwood's business is finding alternatives. Its distinctive strengths lie in marketing, distribution, and achieving a range in the inventory of goods and services it can offer. Companies can spend their trade credits on products as diverse as packaging, office furniture, bydraulic presses, mainframe computers and refractory products, and services such as airline seats, hotel

rooms, cleaning services, or television advertising space. It has bought and sold between Omega, the watchmaker, US Steel, Goodyear Tyres, Canon, Massey Ferguson, Amoco and JC

Mr Trevor Edwards, head of the group's London office, confesses that the first response of a company executive to an approach from Atwood is cool.

People are approached almost on a daily basis by people wanting to buy stock for cash. But the offers are so derisory that they ignore them. Often they're as low as 20 per cent of wholesale value. When I say we will buy at near to wholesale price, companies often

relevant to mainstream business think it's another come-on," he

In Skelmersdale, in the north of England, Mr Geoff Marsden, managing director of Snack Factory, a recently established supplier of crisps and other snack exception when he received a call from Mr Edwards to discuss a barter deal worth £5m a year for two years, allowing Atwood to sell the company's crisps across Europe. "I'm treating all this with my tongue in my cheek, but there is no cost for me to try it,"

he savs. "At present, I can't think of a negative. It allows me to do some test marketing and establish distribution in markets I don't have the time or resources to target myself."

According to Mr Binn there are just four components of a company's costs that cannot be bartered for: wages, rents, utilities such as water and electricity, and bank charges. Beyond these, which may account for half a company's outlay, there is no reason any other cost must be mone

He says his company is not a vulture feeding on recession-in-

jured companies. "The business survives at all times. Not all businesses do well at the same time. Nor is the world that efficient. And trying to predict what the market for your product is going to look like next year is the biggest gamble of

a company in which it has more

than a 3 per cent stake. This

threshold is breached by the

Chiao Tung Bank, which owns

Financial specialists with the

Chiao Tung Bank were at the

centre of the talks in Taipei

which lasted until almost mid-

In a further step to reassure

the banks yesterday, the govern-

ment drafted an official letter

stating its commitment to Avro,

after the banks indicated the gov-

ernment's earlier verbal support

night

significantly more than this.

#### rates as well.

DIY stores The replacement of Texas Homecare's chief executive is hardly a sign that everything is going swimmingly in do-it-yourself. Thus far, the gentle upturn in housing transactions has done little for DIY retailers, with consumers reluctant to spend on fixtures. and fittings. Last year's fierce price wars have been replaced by the image of consistent low pricing, but DIY retailers have only been able to hold volumes in recent times at the expense of margins. Texas had the upper hand last year, B&Q this. Poor old Do It All has been knocked from pillar to post between them. Meanwhile, expectations of a return to the glory days of the late 1980s are more desperate hope than expectation, and the market will not prosper until substantial capacity is taken out.

The most obvious casualty is Do it

France's decision first to cut and then

suspend its overnight lending rate

shows its markets are returning to

normal after the ERM crisis. With

luck, it may now be possible to com-

plete that process by cutting the five-

to-10 day lending rate. But France will

only be breaking new ground when it

starts cutting its intervention rate.

which sets an effective floor for the

money market. For that, the authori-

ties will probably still keep at least

half an eve on developments beyond

the Rhine.

August inflation figures for Baden

Württemberg will today give an indi-

cation of the Bundesbank's room to cut interest rates this week. A

monthly price rise of 0.2 percentage

points or less might prompt a small cut in the German discount rate. That

could allow France to cut its own

intervention rate without jeopardising

the franc. But with year-on-year infla-

tion above 4 per cent, the Bundesbank

As long as France clings to the ves-

would be awkward. All the more so

since the change at the top of the

Bundesbank, and a money supply bloated by intervention, means a

period looms when further German

rate cuts will be difficult. Thus far,

exchange markets have welcomed suc-

cessive cuts in France's overnight

rate. Any interruption to the process

may see them again worrying about

economic recovery. If the franc is to be

weak anyway, the French economy

might as well enjoy lower interest

may yet do nothing at all.

198588 87 88 88 90 91 92 93

WPP Group

THE LEX COLUMN

Marking the French test

FT-SE Index: 3042.0 (-15.6)

All, which requires either drastic pruning or complete uprocting. Yet with alternative use values for the out of town sites so low, the cost of exit is almost unbearable. Boots' strong cash tiges of its strong currency policy, that flow might allow it to take the pain of closing Do It All, but its partner WH Smith is not so well placed. Smiths may well show a cash outflow when it reports full-year figures tomorrow, and its smaller balance sheet would be hard pressed to take the strain. If that means that the agony is domined to continue in the sheds which only cost DIY shopkeepers £2m-£3m, what might happen to food retailers faced with a similar plight in air conditioned free

The modest queue of corporate financiers forming outside Lloyd's must be heartening for the management of the stricken insurance market. Whether investors will be sempted ket. Whether investors will be tempted to put money into Finsbury's track or any of the other investment vehicles. waiting in the wings remains an open question. Since the terms on which corporate capital naight he admitted will not be decided by likeye's council until next month - and not put to the vote until October 20 - there can be

hold barns costing £25m epiece?- '--

no sine answer. For corporate capital to stand a chance of participating in the 4994 underwriting year, the bankers will have to move fast thereafter. Firsbury has opted for an investment trust Sedgwick and BZW are working on a quoted investment company. US investment banks will dombtiess have their own novel ideas. All will stand or fall, though, on their ability to pick

POTENTIAL OF THE

STOCK MARKET WITH A

#### WPP.

The banks which agreed to last year's debt-for-equity swap at WPP may be pleasantly surprised by the recent run of the shares. Yesterday's closing price represents a handsome premium over the level at which their preference shares can be converted next week. Little wonder that most fully intend to exercise that option and take profits, rather than hang on in the hope of more. The conversion will set as a drag on

the shares, since buyers will have to WPP's share capital. The situation is likely to recur next year when the banks are free to convert their remaining prefs. Longer term prospects turn though, on WPP's ability to generate more revenue while keeping a lid on costs. Revenue growth of 5 per cent in the first half - once exchange rate ments are stripped out - and a slight improvement in margins is thus

But with recession taking hold in Burope and only a sluggish recovery in the US, that rate of progress can not be taken for granted. Discounting in markets from cigarettes to detergent also poses a threat to the branded depends. One response by its clients would be to defend market share and the remaining price differential of branded goods over generic products by increasing marketing spend. The worrying alternative would be to defend margins by taking an axe to

#### British Rail

British Rail's management seem wedded to the notion that the best way to raise net revenues at times of raise prices. Such an attitude comes naturally to a monopoly which believes it can shamelessly exploit a e testomer base. Even in Network SouthRast's commuterland, it is starting to look old-fashioned.

Seemer or later a policy of charging more for less will lead inexotably to lower rather than higher revenues. I nothing else, private ownership of rail would surely see a more imaginative approach to revenue generation. Increased usage might even produce a lower muit cost for all that expensive track and signalling infrastructure.

### Taiwan may underwrite BAe venture

By Daniel Green and Dennis Engbarth in Taipei

TAIWAN may guarantee loans as part of a package to save a £250m joint venture between British Aerospace and Taiwan Aerospace

Mr Yang Shih-chien, deputy minister of economic affairs, said yesterday that he did not rule out the Treasury making loan guar-antees if the two sides failed to agree on financing the deal.

He was speaking after 16 hours of talks in Taipei between Taiwanese officials and Mr John Cahill. BAe's chairman, failed to settle disagreements on financing and technology transfer.

Mr Cahill and his team of four senior executives will continue their attempt to rescue the deal this morning. Both sides remained optimistic that a deal would be concluded even if talks spilled into a third day.

The Avro joint venture is central to Mr Cahill's strategy to improve BAe profitability. The RJ series of regional aircraft, which would be built partly in Taiwan under the joint venture, oses money for the company.

BAe said proposals it had received from Mr Liang Kuo-shu, chairman of the Chiao Tung Bank, the Taiwanese state-owned bank, "were positive". The Chiao Tung Bank leads a banking consortium that is due to provide all the initial working capital for Avro. Some members of the consortium want stronger guarantees that technology, design and manufacturing skills will be transferred to Taiwan.

The original joint venture con-tract signed in January "was rather loose," Mr Yang, who has been closely associated with the proposal, said yesterday. The banks also want assur-

ances over the status of assets BAe is putting into the joint venture company - land, plant and machinery in the UK - as collat-Taiwanese law prevents a bank

from making unsecured loans to

World stocks, Page 29

#### VW clash | French central bank signals | S. Africa easing of monetary policy Continued from Page 1

tion rate, which provides a floor expecting cuts in the intervention rate, which provides a floor for money market rates and stands at 6.75 per cent, and the 5 to 10 day borrowing rate, which stands at 10 per cent.

FI WORLD WEATHER

The timing of reductions in French interest rates will depend on the Bundesbank's council meeting. If it decides on a cut in German rates this would allow France to trim its intervention rate, perhaps as early as next

Continued from Page 1

was insufficient.

productivity in the non-agricultural sectors had increased at a rate substantially higher than in the past; however this reflected less a strong commitment to work than a more rapid rate of retrenchments. Growth in productivity continued to fall below pay growth, so real unit labour

But inflation appeared to be coming under control, with the consumer price index falling from 16.8 per cent in October 1991 to 10 per cent in June 1993,

Ignacio López de Arriortúa, the VW production director, and three of his associates.

VW stopped commenting on the theft and industrial espionage probe more than a week ago, when it refused even to deny new media allegations that 11 of its employees transferred confidential Opel data in Volkswagen

General Motors officials have consistently refused to talk peacefully while VW failed to withdraw its charges, stressing that their legal complaints made no mention of VW itself.

#### Continued from Page 1 Monday. However, unchanged expecting cuts in the interven-

German rates could lead to renewed pressures on the france, investors are eager for further rate cuts in France to help revive the recession-hit economy and are not particularly concerned with any impact on inflation.

The inflation figures for July, released yesterday by Insee, the national statistics institute, supported this view. The figures confirmed that consumer prices rose by just 0.1 per cent in July, compared with June, and that annualised inflation at the end of last month was down to 2.1 per cent.

costs continued to increase.

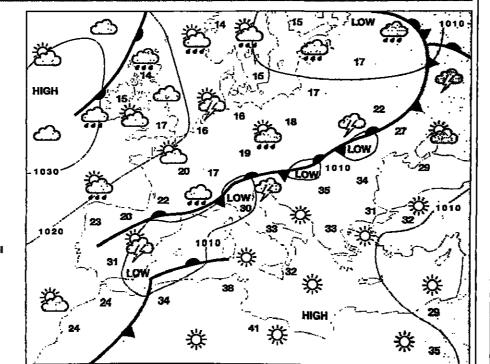
despite a 4 percentage point rise in value added tax in April.

#### Europe today

A strong northerly air flow between low pressure over south-eastern Scandinavia and a large high pressure area west of Ireland will bring cool and unstable air over parts of the continent. The cool air will clash with a hot air mass over southern Italy and south-east Europe causing heavy east Spain to the southern CIS. Severe thunder storms are expected, particularly over Austria and Hungary. Local thunder storms will erupt in Spain and northern parts of Italy. Ample sunshine in the lkans will boost temperatures above 35C. Northern Europe will see some sunshine with a few showers, mainly in

#### Five-day forecast

The zone with thunder showers and rain will move south-east bringing lower temperatures as far south as Greece by Friday. Showers will slowly decrease over north-west Europe, although Scandinavia will stay mostly cloudy and showery. Warm and sunny conditions in the Mediterranean will be interrupted frequently by thunder showers. A lot of rain will fall east and south of the Alps until the weekend.





Lufthansa

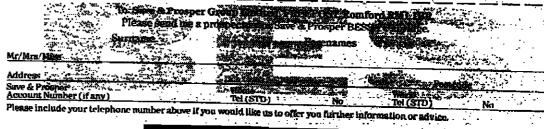
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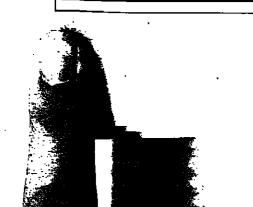
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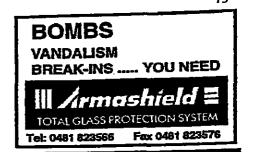








#### **FINANCIAL TIMES**



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#### INSIDE

#### Austrian brewer in rights issue

Brau Beteiligungs (BBAG), Austria's leading brew-ery group, is seeking to raise Sch1.9bn (\$160.5m) through a rights issue for itself and a warrant rights issue for its main subsidiary, Brau Union. Page 16

#### Fight over Canadian skies

The drawn-out fight for survival between Canada's two main airlines is nearing a climax. However, Air Canada and Canadian Airlines International, with combined debts of C\$4.2bn (US\$3.2bn), are bleeding profusely. The latest salvoes have come from Air Canada, which is trying to thwart an alliance between Canadian and AMR Corporation of Dallas, parent company of American Airlines. Page 16

#### **Dutch trading moves abroad**

The popularity of Dutch shares among foreign investors is proving to be a curse as well as a blessing for the Amsterdam Stock Exchange. Strong foreign demand for the likes of Royal Dutch, Philips and Heineken means that a high percentage of trading in Dutch blue chips is now conducted abroad rather than in Amsterdam, Page 17

#### **Bond unit for Guinness Mahon**

Guinness Mahon, the UK merchant bank owned by the Bank of Yokohama, is setting up a capital mar-kets operation which will specialise in broking

#### The return of Howard Hodgson

Mr Howard Hodoson, one of the more flambovant London stock market as the biggest shareholder and chief executive of Hoskins Brewery, the Leicester real ale brewer. Page 20

#### Hibernian reaches a record

Hibernian, the Dublin-based insurance group, reported a 2.3% rise in first-half pre-tax profits to a record £8.9m (\$12.6m), despite increased underwriting losses of £8.5m. Mr Cecil Hayes, general manager finance, described the results, attributed to an increase in investment income, as "very satistactory". Page 19

#### Sharp rise for GPG

Guinness Peat Group, the UK investment vehicle of New Zealand entrepreneur Sir Ron Brierley, reported a sharp rise in first-half pre-tax profits to £6.7m (\$10.1m), compared with £3.1m for the nine months ending June last year. Page 20

#### Fungus forces up US wheat US wheat prices jumped last week after the dis-

covery of a poisonous fungus in the spring wheat crop. The crop quality concerns have since abated, but are still sufficiently significant, analysts say, to sustain firm prices for high quality wheat world-

#### **Cross-Channel falls**

**Euro Disney** Share price (FFr) 100

Mar 1993 Aug

In Paris Euro Disney shares fell 4 per cent shortly after the opening following negative media comment at the weekend group that summer book ings had been weak. Likewise in London the shares lost 3 per cent, falling 20p to 620p. Mr Nigel Reed at Paribas Capital Markets believes the company will

"need an injection of finance to keep it going". World Stock Markets, Back Page; LSE, Page 22

#### **Market Statistics**

FT fixed interest indices FT/ISMA int bond svc FT guide to currencies

London share service Liffe equity aptions Money markets New Int. bond issues World commodity prices World stock mkt indices

#### Companies in this issue

Bikuben Brau Beteiligungs Coal and Allied Cowie (T) Euro Disney Eurotunnel Firestone GEC Alsthom

16 Hungerford Wine 6 Ladbroke 16 Morgan Stanley
16 Missan
15 Northern Foods
7 Playmates
16 Rea Brothers
17 SSAB
20 Shanks & McEwan
19 South China Poet 19 South China Post 6 Uni Storebrand Varity Vodafone

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### **COMPANIES & MARKETS**

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Tuesday August 24 1993

# WPP cautious on fragile upturn

WPP GROUP, the marketing services company, remains cautious about an upturn in its markets in spite of reporting pre-tax profits of £24.1m (\$33.7m), up from £1.8m, in the half-year to June 30. The result was helped by the absence of last year's £13.5m

restructuring charge.
Mr Martin Sorrell, chief executive, said: "The economic recovery, such as it is, remains delithis cost rose to £46.5m (from cate and unsettled especially in £35.1m). Billings increased to

of client experience to date, it is possible that a recovery will be delayed for some time. The group is paying an interim dividend of 0.35p, as it forecast at

March: the first payout since The shares rose 3p to 93p. Reorganisation and rationalisa-tion costs of £3.9m covered sever-

ance pay. Operating profit before

the US and the UK. "On the basis £2.9bn (from £2.5bn) and group revenues rose by 16.4 per cent to 2699.7m, although more than 10 per cent of that rise was due to

the weaker pound. Revenues in media advertising increased by 7.4 per cent in the first half. J Walter Thompson and Ogilvy & Mather generated net new business billings of more than £156m (\$235m) and £117m (\$176m) respectively.

However, while US advertising is showing signs of recovery, the group voiced its concern about

the extent to which President Clinton's tax proposals could affect US companies, which in The group hopes to reduce borturn might cut back on their

Public relation companies continued to lose money. Hill & Knowlton and Ogllvy Adams & Rinehart reported combined losses of £4.8m, up from £400,000. Net debt fell to £372m (from £476m) resulting in a lower interest charge of £15.6m (against

The average net debt figure

North American car tyre market

of its £85m rights issue.

The group hopes to reduce borrowings further with the sale of Scali McCabe Sloves, the US agency. That sale is expected to fetch between \$40m and \$50m.

In the long-term, WPP is considering the flotation of its market research activities in southeast Asia and the sale of one or

two smaller companies. Earnings per share of 2.5p compare with a loss of 7.6p. Lex, Page 14

### Martin Dickson analyses the Japanese company's problems in a foreign market

### Bridgestone wakes from an American nightmare

long American nightmare A is finally over for Bridge-stone, the Japanese rubis finally over for Bridgeber company which found itself in severe difficulties after it snapped up Firestone, the large tyre manufacturer, in an ambitious \$2.6bn takeover five years ago. This is the first year since then that Bridgestone/Firestone (BFS), the US company formed after the takeover, will make an annual profit.

The newly confident company claims to be gaining ground in an intensely competitive market but so too does Goodyear Tire & Rubber, the market leader, which last month reported one of its best quarterly results ever.

Goodyear had an estimated 15.5 per cent share of the US replacement car tyre market in 1992. compared with 7.5 per cent for Firestone and 3.5 per cent for BFS's separate Bridgestone brand, according to Modern Tire Dealer magazine.

The financial upturn is a welcome change for BFS, which lost \$350m in 1990, \$500m the following year and \$146m in 1992 even though it broke even in the second half of last year. And it is an important develop-

ment for the company's Japanese parent, which staked much of its future on the 1988 takeover. Before the deal, it was number one in the Asian tyre market, but an also-ran elsewhere. Bridgestone's problems in the US, and the way it has gone

Japanese companies are far from infallible in penetrating foreign markets, particularly when taking over another company rather than building their own business from scratch.

"The problems of Firestone have proved to be far more difficult than anyone expected," says

Mr Sunil Kumar, president of BFS's tyre sales business. Originally, Bridgestone merely wanted to take a majority stake

in the Firestone tyre business. but it was pushed into a full takeover when Italy's Pirelli launched a competing offer. It knew that it would face some post-merger difficulties. When it

bought a truck tyre plant from Firestone in Tennessee in the early 1980s, it found the equipment run down and labour relations poor. Nevertheless, it remained illprepared for the sheer scale of modernisation required and for

ferent manufacturing and distribution systems. Bridgestone was forced in 1991 to pump an additional \$1.4bn of capital into the subsidiary to

the headaches of merging two

corporate cultures, as well as dif-

halve its debt. The problems were compounded by the onset of recession in the US, which cut demand for tyres, and by the Japanese company's "kid gloves" approach

Rather than aggressively merg-

to its acquisition.

ing the two companies, it initially kept Firestone's sales and marketing operations separate from Bridgestone's, thus losing many of the cost advantages of the deal and fostering competition between the two arms. "They didn't want to do anything which might injure Firestone," says Mr Kumar. "I think they ended up were numerous examples of Bridgestone salesmen calling on dealers and trying to encourage them to buy Bridgestone tyres

rather than Firestone. However, BFS's fortunes turned for the better in 1991 when the parent company adopted a more hands-on

chiro Kaizaki, a senior executive from Tokyo, to replace Mr George Aucott, the then chief executive.

"He changed the attitude of everyone in the company," says Mr Kumar. "Before, everyone went around staring at their shoes feeling we were losers."

Mr Kaizaki, who returned to Japan last March to become president of Bridgestone, rapidly con-solidated the two marketing operations. He reorganised the company into 21 independent business units, each with responsibility for profits.

Whereas the two brands had previously been treated as "separate but equal", they were now "together but unequal" ~ in other words aimed at different market niches. Bridgestone tyres tend to have an up-market performance image, while Firestone is more for the mass market.

Mr Kaizaki switched the group's headquarters from Akron, Ohio, where Firestone was based, to Nashville, Tennessee, where Bridgestone had been headquartered. Nashville offered a geographically central location and a fresh beginning.

owever, BFS is also benefiting from initiatives stretching back to 1988. They include a \$1.5bn manufacturing modernisation programme, announced six months after the takeover, the transfer of Japanese tyre-making technolof-the-art truck tyre plant in Warren. Tennessee, about to undergo a \$110m expansion; and the introduction of "kaizan", continual manufacturing improvement through the involvement of shopfloor workers.

All these factors, says Mr Kenji Shibata, BFS president, have Bridgestone 0.3% Danjop j.5% 1992 Michelin

Replacement tyres 1992 7.5% Cooper 4.0% Unkoyal Goodrich Bridgestone 3.5% 3.5% 3.0% Kelly Multi-Mile Source: Modesn Ties Dealer

improved productivity, though it remains about 65 to 70 per cent that of Bridgestone's Japanese plants. He thinks this may rise to 95 per cent in five years. Differing environmental and social

costs make parity unlikely. Mr Masatoshi Ono, BFS chief facturing side the company still needs to become more flexible, shortening product development times and coping better with small production runs. On the marketing side, both brands need

to be strengthened.

A survey of consumer satisfaction with tyres fitted on new

cars, carried out by the market research concern JD Powers. found both Bridgestone and Fire-stone below the industry average in 1992, behind Pirelli, Michelin and Goodyear. Mr Kumar says: "It takes a while for the consumer to recognise significant

BFS has no grounds for com-placency. It may be in the black, but competition in the global tyre industry and excess manufacturing capacity is keeping tyre prices depressed. It will be a considerable time before Bridgestone gets a decent return on its US

### Morgan Stanley beats its record

By Patrick Harverson

SHARES in Morgan Stanley rose to a new year high yesterday after the US securities house reported record second-quarter profits of \$224.2m, or \$2.77 a share. At the same stage last year the firm earned \$119m, or

\$1.36 a share. Morgan Stanley's strong sec ond-quarter earnings surpassed the firm's previous record of \$198.8m, earned in the first three months of the current fiscal year, and provided evidence that the record-breaking boom on Wall Street shows little sign of losine steam

The results exceeded many analysts' expectations and the stock rose \$% to \$79%, a 52-week

Morgan Stanley's performance was driven primarily by trading revenues, which leapt 153 per cent to \$517.9bn over the three months. Although the sharp jump reflects increases in both customer-related and proprietary trading revenues, earnings from the firm trading its own capital in US and overseas financial markets, particularly fixed-income markets, will have been

especially strong.

Mr William Hartman, securities industry analyst at the banking group JP Morgan, said: "A let of that [increase in trading revenues] came from Europe. They were able to capitalise on declining European interest rates."

Improvements were also made elsewhere. Strong growth in financial advisory services and in high-yield and structured debt underwriting boosted Morgan Stanley's earnings from investment banking to \$318.2m. up

from \$284.2m a year ago. Revenues from broking commissions rose 17 per cent to \$90.7m, while asset management and administration revenues climbed 20 per cent to \$63.6m. Interest and dividend revenues rose slightly to \$1.48bn.
Overall, total revenues (exchi-

ding interest expense) rose to \$11.5bn, up from \$764m a year

Expenses climbed sharply to \$572.2m in compensation and benefits payments, which are tied to the firm's performance. Most of Morgan Stanley's other expense lines were little changed in the quarter, and total non-interest expenses was \$787.8m, compared with \$568.9m a year earlier.

### MAN to cut staff as demand falls and profit slumps 45%

MAN, the German trucks and engineering group, is to cut its dividend to DM8.50 from DM12 last time following a 45 per cent profits slump in the year to the end of June.

Net earnings fell from a record DM418m (\$261m) to a provisional DM230m on sales of DM19bn, down 1 per cent on the previous financial year, the group said in an interim report yesterday.

There had been no improvement in business conditions since publication of the company's half-year report in February, it added. The backlog of outstanding orders totalled DM14bn at the end of the year under review, 15 per cent lower than in 1991-92. Incoming orders for the year

was up 2 per cent, domestic orders were 20 per cent lower at DM6.7bn. Although that suggests improvement from the first half. when total new business was down 14 per cent, the group showed few signs of optimism. However, it said, after climbing

steadily through the year, incoming orders in the fourth quarter, at DM4.8bn, were 5 per cent above the last quarter of the previous year. MAN, Germany's second-big-

gest truck maker after Mercedes-Benz, said personnel cuts would have to continue, particularly in commercial vehicles and the MAN Roland printing machinery divisions.

The group has shed nearly 6,000 workers, approximately 9 per cent of its payroll, since mid-1991. Profit figures for this year include provisions for 3,300 more job losses in the current year. Demand for commercial

vehicles was down 13 per cent on the year, while orders for engineering products and plant were

An 11 per cent rise in turnover from trading activities helped offset a fall of 8 per cent in trucks and no change in engineering sales. Vehicles account for about 40 per cent of group sales and more than half of its annual earn-

German industry was still in deep recession, the report said, and capital investment was fall-European markets had been exacerbated by devaluations against the D-Mark, while improvements in the US economy had still not had any discernible effects on the

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### Tomkins pays \$15m incentive

By Richard Gourlay in London

MR RICHARD CARR, the man who fashioned a crucial US expansion for Tomkins, the UKbased conglomerate, probably securing its growth as one of the country's largest companies, has received \$15.1m for his efforts. The payment, modest by the standards of many US-style

incentive packages, is believed to be one of the largest made to a working UK director. Mr Greg Hutchings, Tomkins chief executive, said that without the three US acquisitions made by Mr Carr, Tomkins would not have made it through the UK

Mr Carr who remains interna-

tional mergers and acquisitions

director, received the payment in

March in accordance with a 1987

agreement set up when Tomkins

was seeking to expand through acquisition but was not prepared to set up a US office. Beating a path first trodden 14

years earlier by Lord White, who led the successful US acquisition programme for Hanson, the Anglo-UK conglomerate, Mr Carr set up an office in New York in 1987 to find potential targets. He was required to invest \$160,000 of his own money which he would have lost had the acquisitions

Mr Hutchings said Mr Carr "had a lot of downside and we had no downside". Only after Mr Carr made the

first acquisition, the \$113m pur-chase of Smith & Wesson, the hand-gun manufacturer in June 1987, and the conglomerate set up a US office did he join Tomkins' Tomkins then went on to

acquire Murray Ohio for \$228m in August 1988 and Philips Industries for \$550m two years

Mr Carr's 1987 agreement stated that Mr Carr would be entitled to an interest in 10 per cent "in the growth of the assessed value of businesses he identified which Tomkins purchased", according to the Tomkins annual report published yes-

These three US businesses generated sales of \$1.72bn and earnings of \$75.2m in the year to May 1992, entitling Mr Carr to the \$15.1m payment.

Mr Hutchings denied the decision to buy out Mr Carr's interest suggested Tomkins would make its next acquisition in the US. Such a move could have led to a much larger payment to Mr

#### INTERNATIONAL COMPANIES AND FINANCE

### Austria's leading brewer seeks to raise Sch1.9bn

By lan Rodger in Vienna

BRAU Beteiligungs (BBAG), Austria's leading brewery group, is seeking to raise Sch1.9bn (\$160.5m) through a rights issue for itself and a warrant rights issue for its main subsidiary, Brau Union.

The group, which dominates the Austrian beer market with cent, has also disclosed firsthalf consolidated pre-tax profit of Sch323m, up from Sch169m last year. All but Sch37m of the rise came from property and

BBAG, one of Europe's largest brewing groups with annual output of over 8m hectolitres of beer, has undergone a restructuring in the past year, simplifying a complex web of cross-holdings among Austrian brewers. Two main sub-groups, both quoted on the Vienna Börse, have emerged. Brau Union, in which BBAG has a 66 per cent stake, has all the group's brewing interests. Europe. BBAG itself bottles soft drinks, mineral waters and

BBAG's first-half consolidated sales were up 5 per cent to Sch5.2bn. Mr Christian Beurle, chief executive, forecast that pre-tax profit would rise 19 per cent to Sch550m in the full year.

issues are to be used for finan cing expansion opportunities in eastern Europe. Both issues are on the basis of one new share for every five held. Prices will be struck on Sep-

The BBAG issue is a conventional one, with a two-week exercise period. The Brau months from October 22.

"It is really a rights issue disguised as a warrant," Mr Walter Schuster, deputy direc-tor of capital markets at Giro-Credit Bank, said. Mr Schuster, who conceived the idea, said the problem was that both companies wanted to raise new capital, and their plan was for BBAG to go to the market this year and Brau Union a year

Schwechater Holdings. which owns 68 per cent of BBAG, will not be taking up its rights, so its stake will fall to 52 per cent. A banking group led by GiroCredit and Creditanstalt in Austria and Credit Suisse First Boston abroad, is underwriting the BBAG issue, and will place available shares with domestic and foreign

investors. The Brau Union issue is not being underwritten. BBAG is not taking up its rights, and the banking group will try to sell these shares in the market.

#### Bikuben returns to black as loss provisions double

By Hilary Barnes

BIKUBEN, Denmark's thirdlargest bank, reported a firsthalf pre-tax profit of DKr207m (\$30m) compared with a loss of DKr442m in the same period

The bank returned to profit despite a doubling of loss provisions to DKr1.68bn from DKr781m, which Mr Borge Munk Ebbesen, the bank's chief executive officer, described as reflecting "the culmination of a series of the economic difficulties which have hit Danish business in

recent years". The bank has become involved in a legal dispute over the interest formula on \$50m in subordinated loan capital subscribed to Bikuben by the Danish dairy group, MD Foods. As a consequence, the bank has decided not to include the loan in the capital base at the half-year, which nevertheless left the bank with a capital adequacy ratio of 10.5

The main contribution to the improvement in the bank's performance in the first half was a DKr784m gain from the value adjustment of the securities

#### Cost-cuts and weaker krona lift **SSAB** profit

By Christopher Brown-Humes

COST-CUTTING and the weaker krona helped SSAB, the Swedish steel group, more than double first-half pre-tax profits, to SKr338m (\$42.5m) from SKr128m, despite the difficult market conditions which continued to depress sales.

The group, privatised last year, said it had cut processing costs by 5 per cent since the 1992 first half and by 10 per cent since 1990. Staff numbers have fallen by 2.5 per cent to 9,700 since the year-

Lower volumes led to a 2 per cent decline in sales to SKr6.35bn, even though prices were 3 per cent higher in krona terms because of the weakening of the Swedish cur-

The group's steel plate divi-sion, SSAB Tunnplat, lifted profits to SKr58m from SKr16m, while the heavy plate unit boosted profits to SKr109m from SKr55m. Both the building products division, Plannja, and the Tibnor trad-ing unit returned to the black, with profits of SKr33m and SKr13m respectively. SSAB said it expected to

make a profit in the second half for the first time since 1990. Last year it made a SKr165m loss.

#### Ladbroke DIY chain shake-up

By Nell Buckley in London

TEXAS Homecare, Ladbroke's DIY chain, yesterday announced a shake-up at the top. It appointed Mr John Coleman, former managing director of the Dorothy Perkins chain, as chief executive. It also revealed that Mr Ron Trenter, Texas chairman, would move shortly to another position within Ladbroke.

Mr Peter George, vice-chairman, had long been seen as helr apparent to Mr Cyril Stein, Ladbroke's chairman, and analysts said it was unlikely that Mr Trenter was being groomed to succeed him.

### Dogfight in Canada's skies nears climax Bernard Simon reports on what has become a bitter and messy corporate battle

the drawn-out fight for sur-

vival between Canada's two

main airlines is nearing a cli-

Air Canada and Canadian Airlines International are firing every weapon at their disposal as each seeks supremacy in a battle which has become increasingly frantic, but remains as confused and unpredictable as when it began almost two years ago.

The only certainty is that both airlines, with combined debts of C\$4.2bn (US\$3.3bn), are bleeding profusely. Foreign carriers complain that fare-cutting by the two combatants is severely undermining the prof-itability of their Canadian routes. "Whatever one does, the other will do in spades," says the representative of one European airline in Toronto. Mr Ted Larkin, analyst at Bunting Warburg in Toronto, predicts that whatever the out-

injection of equity. The latest salvoes have come from Air Canada, which is desperately trying to thwart a planned alliance between Canadian and AMR Corporation of Dallas, parent company of American Airlines. AMR would secure Canadi-

come, the survivor (or survi-

vors) will require a heavy

BARRAGE of noisy an's future by infusing C\$248m volleys over the past of new capital in exchange for a 33 per cent equity stake. But the US carrier has put a gun to Canadian's head by setting an end-1993 deadline for the deal

to be finalised. As an alternative to the American deal, Air Canada last week offered to pay C\$200m for Canadian's offshore routes to Asia, Europe and South America. It would also take over leases on the aircraft which currently fly those routes, about C\$1bn. Canadian would be left as a domestic carrier.

Air Canada's offer, like other moves it has made, is shrewdly timed. As a former quasi-stateowned corporation which was privatised in 1989, the Mon-treal-based airline "knows how to pull the levers of politics", one Toronto analyst says.

The proposal comes on the eve of crucial votes on August 27 by shareholders and creditors of PWA, Canadian's parent company, on a financial restructuring. Air Canada's offer to take over some of the iewels of Canadian's fleet means that senior creditors who hold the leases on these aircraft can look forward to cash payments, rather than the near-worthless common shares offered to them under PWA's restructuring plan.
Air Canada has also sought to defuse criticism that any solution other than the deal huge job losses at Canadian, especially on its home turf in western Canada, Air Canada has offered, for instance, to set nance base in Vancouver and to employ all Canadian's inter-

national crews.

Meanwhile, the Montrealbased carrier has shored up public support on its own door-step by signing a tentative letter of intent last week to buy up to 48 Canadair Regional Jets from Bombardier, the transportation group whose main assembly plant is also in

↑ anadian has so far rejected Air Canada's

✓ overtures outright. Mr Rhys Eyton, Canadian's chairman, called the bid for its routes part of "a diabolical plot" to kill his airline. If nothing else, having to shrink Canadian from an international airline flying to five continents to an insignificant domestic carrier would be a severe humiliation. Canadian has its roots in Pacific Western Airlines, which was a profitable regional carrier before it over-stretched by swallowing Canadian Pacific Airlines and

that Air Canada's latest proposal plus American's year-end deadline have put Canadian against the wall. The options have become more limited," he

says. "Time is running out." Canadian has pleaded for the government to come to the res-cue, though it has yet to specify in what way. It argues that if the deal with American col-lapses, thousands of jobs will be lost and the national interest damaged by leaving Air Canada as an unfettered monopoly.

Loan guarantees from the federal and several provincial governments have helped keep Canadian flying for the past year. But with a general election looming, politicians are now more reluctant to become involved as they find themselves torn between two highprofile companies, each with its own powerful regional con-

The dilemma for the govern-ment is epitomised by the fact that Ms Kim Campbell, the prime minister, comes from Vancouver, while her transport minister. Mr Jean Corbeil, is a Canadian's best (and perhaps

last) hope of clinching the deal with American lies with the quasi-judicial Competition Tribunal in Ottawa.

The tribunal will convene on September 8 to consider the

latest of many tortuous attempts by Canadian to extri-cate itself from the Gemini computerised reservations sys-tem, which it owns in partnership with Air Canada and a unit of United Airlines.

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condition of Canadian's entire deal with American is that Canadian sever its ties with Gemini, and take its business to AMR's Sabre system. AMR wants to use Canadian as a guinea pig and a showplece for its business of providing management services to airlines, other transport companies and

Canadian contends that the dissolution of Gemini would preserve competition in the air-line lighting its rival's effort to withdraw from Gemini, arguing that Canadian is legally bound to remain in Gemini until 1999, and that its withdrawal would undermine the network's viability.

The competition tribunal, which has considered the Gemini issue once before, is expected to come to a quick decision. What that decision will be is largely a matter of conjecture. One way or the other, however, it will provide a pointer to the outcome of what has become one of Canada's most messy corporate battles.

confidence in the group following its release on July 13 from public administration.

Uni collapsed last August

under the weight of NKr3.8bn

debt taken on to but the Skan-

dia shares in a failed attempt

to gain control of the company.

The group's shares were relisted on the Oslo bourse in

mid-June and NKr4.3bn was

raised through share and bond

issues in a major recapitalisa-

Uni said it made cash settle-

### Securities gains behind sharp Uni Storebrand rise

Mr Larkin says, however,

Wardair in the late 1980s.

By Karen Fossil in Oslo

UNI Storebrand, Norway's largest insurance group, yesterday announced sharply improved first half pre-tax profits to NKr689m (\$94.8m) from NKr79m in the same period last year, helped by substantial gains on securities.

The group boosted net operating income to NKr10.93hn from NKr10.1bn. The increase was achieved despite a loss in premium income by the life business which saw market share decline by 2.8 percentage points to 31.9 per cent in terms of premiums written during the last year.

Uni said group operating expenses had been cut by 2.67 per cent during the six-month interim to NKr8.69bn from

UNI STOREBRAND has almost finished. The company reached advanced stages of planning a spin-off of Christiania General Insurance, the group's New York-based reinsurance business, into a separate company listed on the New York Stock Exchange, writes Karen Fossli.

Uni said a prospectus for an issue of Christiania General shares was almost complete and that a valuation was

NKr9.3bn. Although the pay-roll was reduced by 286 employees to 4,221 during the period, the full effect of cost reductions is not yet apparent due to terms and conditions of voluntary redundancy arrangements, the company explained.

added that limited group resources would in future prevent it from financing the Christiania General

Earlier this year, Uni had considered either disposing of Christiania General or seeking a strategic partner for the entity, but this had been become difficult during a period of

NKr1.41bn, including a NKr213m net gain on the disposal of the group's 25 per cent stake in Skandia, Sweden's biggest insurer, against a loss of

NKr690m last year. Uni said unrealised gains on consolidated basis rose by

consolidation of the US reinsurance market. Credit Suisse First Boston. among others, are advising

Uni on the move. Christiania General has assets of \$300m and is ranked 11 among US reinsurers. Last year the unit returned a surplus of about \$120m under

US accounting principles, compared with a deficit of \$125m in 1991. quarter and stood at NKr3.6bn

at end-June. However, by the end of last month unrealised gains had increased further to NKr3.81bm Uni pledged to place particu-

ments to creditors last month whose claims had fallen due and been approved. The settlements involved full payment of principal, together with interest of about 11 per cent per lar emphasis on quality assuryear and reduced Uni's exterance in future as part of meanal debt and cash holdings by Gains on securities hit NKr1.5bn during the second sures to regain market NKr4.3bn.

tion of the group.

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per cent.

### The News Corporation Limited

has acquired from Hutchison Whampoa Limited and the Li family a 63.6% holding in



August 1993



Goldman Sachs acted as the financial adviser to Hutchison Whampoa Limited and the Li family.



INVESTOR AB

### SIX MONTH **INTERIM REPORT 1993**

INVESTOR GROUP

Consolidated income after financial items for the Group amounted to SEK 406 million, against year-earlier income of SEK 2,083 m.

Investor's net worth, with Saab-Scania valued at its estimated yield value, decreased during the period to SEK 25,440 m. (December 31, 1992: SEK 32,415 m.), or SEK 140 (178) per share after full conversion. With Saab-Scania valued at its book value, net worth amounted to SEK 30,389 (30,122) m., or SEK 167 (166) per share.

STRATEGIC PORTFOLIO

The value of Investor's portfolio of strategic holdings on June 30 amounted to SEK 21,606 (23,238) m. Adjusted for net changes, the value of the portfolio rose during the period by 6%. The Affärsvärlden General Index increased 19%. On August 18, the market value of the portfolio was SEK 26,170 m.

The entire holdings in ASEA and Garphyman were sold. After June 30, shares in STORA were sold as well.

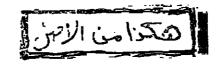
On June 30 the largest holdings were in Astra, which accounted for 41% of the value of the portfolio, STORA 17%, Incentive 15% and SKF 8%. The six largest holdings together represented 96% of the portfolio.

SAAB-SCANIA HOLDINGS

Consolidated sales of the Saab-Scania Holdings Group amounted to SEK 13,000 (13,700) m. Order bookings amounted to SEK 12,300 (23,300) m. The order backlog at the end of the period was SEK 30,200 (30,100) m.

The income after financial items of the business areas amounted to SEK 581 (1,172) m. Demand for Saab-Scania's principal products is expected to remain weak, because of which it is anticipated that Saab-Scania's business areas will report significantly lower income for 1993 than in the preceding year.

This is a summary of Investor's six month interim report 1993. The complete report can be obtained from Investor AB, S-103 32 Stockholm, Sweden, telephone +46-8-614 20 00.



By Tony Walker in Beijing

CHINA will place a freeze on enterprises issuing bonds in the latter part of this year in an effort to curb a bond-issuing spree that has raised concerns about the circulation of billions of yuan of worthless

paper.
The English-language Business Weekly reported at the weekend that the People's Bank of China, China's central bank, and the State Planning all applications for new bond

The paper quoted Mr Lu Pansheng, a central bank official, as saying that bond issues that have not already been approved will be stopped.

Companies seeking working capital through bond issues will be asked to apply for bank loans, the official

Some Yn20bn (\$3.45bn) of corporate bond issues had been planned for this year, but wor-

Australian coal

profits up 23%

By Bruce Jacques in Sydney

the Australian coal producer.

7 per cent improvement in rev-

enue to A\$657.4m. The com-

tion in the value of the assets.

A\$28.4m abnormal loss but this

was offset by a A\$7.5m tax

credit. Depreciation took

AS5L5m. against AS44.4m.

That provision led to a net

11.1m to 11.9m tonnes.

producer's

enterprises to service their about bonds draining money from the banking system, have prompted the latest

Steps to curb unrestrained bond issues by enterprises seeking funds to expand their activities are part of a wide-spread crackdown by the Chinese authorities on a financial sector that had mushroomed out of control.

China's efforts to cool its overheating economy include a squeeze on credit, a demand that banks recall billions of yuan in loans for speculative ventures such as property, and a strengthening of control over the countries fledgling capital

Mr Zhu Rongji, China's senior vice-premier in charge of the economy, was appointed last month to head the central bank. He wasted little time in installing a new team of deputy governors to assist him in unravelling China's financial

Regulations issued earlier this month were also aimed at clamping down on the bond issuing binge. These included the requirement that enterprises not be permitted to issue bonds unless they had been profitable for the last three

Proceeds from the issuing of corporate bonds could not be spent on real estate speculation, securities, futures trading, or other risky investments that are not related to the enterprise's central busi-

Companies which float bonds without approval or provide an interest rate higher than the one set by the central bank will be severely punished, the report said.

No mention was made of China's capital raising abroad. China has embarked on a fairly ambitious programme of international bond issues. These are almost certain to be coming under careful central bank

### Varity surprises with \$14m net for quarter

By Karen Zagor in New York

COAL and Allied Industries. SHARES in Varity, the US automotive, farm and indushas increased net profits for trial equipment maker, the year to June by 23 per cent to A\$59.7m (US\$40.4m). reached a 52-week high yesterday after the company posted better-than-expected second-The result was achieved on a quarter earnings.

In the latest quarter, it took

pany is stepping up its divi-dend from 60 cents to 70 cents a one-time charge of \$1.7m, or 5 cents a share, which left net income at \$14.4m, or 29 cents. Coal production rose margin-In the same period of 1992, Varally from 11m to 11.1m tonnes, ity had net income of \$14.1m, or 37 cents. Sales in the three months dropped to \$660.9m but sales rose strongly from Reviews of the underground from \$891.4m, reflecting the operations led to significant disposal of several businesses. reductions in employee num-Stripping out one-time bers during the year. The charges, taxes and earnings of board is making a provision of associated companies, Varity A\$35.1m before tax for diminuearned \$15.4m in the 1993 quarter against \$17.6m a year ear-

> \$36% at mid-session. Mr Victor Rice, chairman and chief executive, said the company had cut its interest

lier. The shares rose \$5% to

expense by 73 per cent in the second quarter, reflecting the restructuring and financing actions. The company's consolidated debt is \$1bn lower than

Kelsey-Hayes, the automotive components business, had operating income of \$19m on sales of \$256m. On a pro forma basis, earnings were \$13m on sales of \$228m in the 1992 period. The company attributed the rise to higher margins due to improved operating efficiencies.

Massey Ferguson, the farm equipment unit, had operating income of \$4m on sales of \$239m. On a pro forma basis, it earned \$4m on sales of \$283m last year. Although Massey's main European market has been weak this year, it expects the business to remain profitable in 1993.

The UK-based Perkin's engines business turned in flat earnings of \$11m.

### hit by fall in Ninja Turtle sales

in Hong Kong

PLAYMATES, the Hong Kong toy manufacturer which produces the Teenage Mutant Ninja Turtles, yesterday announced a further decline in earnings. First-half 1993 net profits fell 16.5 per cent, to HK\$146.6m (US\$18.9m). The interim dividend is

being cut from 7 cents a share to 6 cents. At the peak of Turtle sales in 1991, the company posted six-month profits of HK\$409m.

However, the product's popularity has waned and the company has failed to find an alternative source of Turnover fell to HK\$600.6m

from HK\$645.5m in 1992. despite the success of the group's Star Trek product In addition, associate contri-

butions swung to a HK\$12.6m loss, due to a negative contribution from the 37.5 per centowned Ideal Loisirs of France. The French toy group is expected to turn in a profit in the current half-year. Like many other Hong Kong

manufacturers, Piaymates has turned to property development in an attempt to make up for dwindling profits from its toy core business.

Director Mr Edmund Ip said the company's "objective is to establish itself as a quality developer concentrating initially on smaller sites in carefully selected locations".

South China Morning Post,

the News Corporation subsidiary which publishes Hong Kong's leading English language newspaper, reports a net profit of HK\$494m for the year ended June, down 7 per

The fall was primarily the result of the full utilisation of tax losses during 1992. The figures were also adversely affected by the recent purchase of Wah Kin Yat . Po, a Chinese language news-

The dividend is being held at 30 cents a share.

### Dutch toughen bourse reforms

Ronald van de Krol looks at efforts to return trading to Amsterdam

HE popularity of Dutch shares among foreign investors is proving to he a curse as well as a blessing for the Amsterdam stock

Strong foreign demand for the likes of Royal Dutch, Phil-ips and Heineken means an alarmingly high percentage of trading in Dutch blue chips is now conducted abroad . mainly on London's Stock Exchange Automated Quota-tion (Seaq) system - rather than in Amsterdam itself.

For years, Amsterdam has tried to ward off London's attractions by undertaking gradual reforms, such as abol-ishing stamp duty, encourag-ing direct bloc trading between banks, and automating the flow of orders onto the bourse floor.

However, these measures have had such little impact that the Amsterdam stock exchange is now gearing up to push through more radical reforms early next year.

According to Baron Boudew-

ijn van Ittersum, the bourse's chairman, the difference between the earlier reforms and those scheduled for next year is that "this time we are going to tackle the very core of the trading system itself".

Until now, a central role on the Amsterdam exchange has been reserved for hoeklieden, or stock jobbers, who bring together supply and demand by setting prices in the stocks in which they specialise. Often under-capitalised, and fre-quently criticised for their inability to take large positions, the "hoekmen" are the linchpins of a bourse which traces its history nearly 400 years to the issue of shares by the Dutch East India Company. Under the proposed reforms, the 23 "hoekmen" firms will

than 10 market "specialist" firms. At the same time, the market will be divided into retail and wholesale segments. role of the specialist," Mr van in another departure, foreign brokers will be able to take littersum says. part in the screen-based whole sale market without being

Seven foreign-based houses have already taken out special membership of the exchange to participate in a new inter-professional trading system for Dutch government bonds. The retail market will

present in Amsterdam.

remain the domain of the specialists. The wholesale market will be based around Asset (Amsterdam Stock Exchange Trading System) screens. Amsterdam's answer to Seag. Completing the new look will be Aida, an inter-professional dealing system modeled on Frankfurt's Ibes.
Although it is partially fol-

lowing Seac's lead, Amsterdam is consciously stopping short of adopting London's reliance on market-making. "We think the

Raron van Ittersum: banks, brokers committed to new system structure we'll have will be stronger than the one London has at the moment, because they lack a retail side and the

> The retail and wholesale sides of trading on the Dutch bourse will be linked. Specialists will have to quote firm prices, a stipulation designed to lend support and direction to the screen-based wholesale

> market, he says. A crucial test of the new consensus in Amsterdam will come in the autumn, when a committee of "wise men" is due to make recommendations on buying out the bourse's hoekmen, some of whom will be transformed into better-capitalised specialists.

Job losses among the 200strong staff are inevitable. Members will have to approve the plan before the reforms can

McKinsey, the consultancy group, published a report on trading in Dutch shares in late 1992. Before then, any talk of doing away with the hockman was almost taboo. But McKinsey's survey of investors showed that 40 per cent of trading in Dutch shares had leaked abroad, chiefly to London. The situation in Dutch bonds was even bleaker, with just 32 per cent traded at home, though

this came as little surprise. Perhaps the most worrying statistic was that just 33 per cent of "bloc" trades in Dutch shares, worth more than Fl lm (\$525,000), was conducted in Amsterdam in 1991, against 68

per cent in 1988.

McKinsey also showed that investors, including Dutch ones, were unhappy with Dutch banks and brokerages. complaining of uncompetitive rates and an aversion to taking risks in the market. This accounted for the trend towards seeking the services of foreign brokers, who in turn were more likely to use Seaq than Amsterdam.

Mr van Ittersum said Dutch banks and brokers had now committed themselves to playing an active part in the new system. They will, in any case, "need to stick their necks out" more if they want to continue to create a primary market for the larger, internationally-orientated Dutch companies and to serve the Netherlands' powerful institu-

tional investors, he said. He noted that of all Europe's bourses, Amsterdam was the most exposed to competition from London. With a small home market and a preponderance of international companies, it relies on foreign buying of shares and, particularly, of

Because of its greater vulner ability, it is also "the first bourse on the continent that is ready to put a strategy vis-a-vis London into practice", he said.

August 1993

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue

go, to be replaced by no more

bonds.

6,960,000 Shares

### Triangle Pacific Corp.

Common Stock

1,392,000 Shares

The above shares were offered outside the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette Securities Corporation

Merrill Lynch International Limited

Cazenove & Co.

Kleinwort Benson Limited

Swiss Bank Corporation

**Paribas Capital Markets** 

Daiwa Europe Limited N M Rothschild & Sons Limited

Smith New Court Securities Limited S.G.Warburg Securities

5,568,000 Shares

The above shares were offered in the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette

Merrill Lynch & Co.

Bear, Stearns & Co. Inc. **BT Securities Corporation**  The First Boston Corporation

A.G. Edwards & Sons, Inc.

Alex. Brown & Sons

Goldman, Sachs & Co.

Dillon, Read & Co. Inc. Hambrecht & Quist

Kidder, Peabody & Co. Lazard Frères & Co. Lehman Brothers Montgomery Securities J.P. Morgan Securities Inc.

Morgan Stanley & Co. Prudential Securities Incorporated

PaineWebber Incorporated

Paribas Capital Markets Robertson, Stephens & Company

Salomon Brothers Inc Wertheim Schroder & Co.

Smith Barney Shearson Inc. Dean Witter Reynolds Inc.

Advest, Inc.

Allen & Company

Arnhold and S. Bleichroeder, Inc.

Robert W. Baird & Co. Dain Bosworth

Mabon Securities Corp.

William Blair & Company

J. C. Bradford & Co.

First Southwest Company Janney Montgomery Scott Inc.

C.J. Lawrence Inc. Morgan Keegan & Company, Inc.

Interstate/Johnson Lane Legg Mason Wood Walker Neuberger & Berman

Piper Jaffray Inc. The Principal/Eppler, Guerin & Turner, Inc. Rauscher Pierce Refsnes, Inc.

Ragen MacKenzie The Robinson-Humphrey Company, Inc. Wheat First Butcher & Singer Southwest Securities, Inc. Stephens Inc. Tucker Anthony

Brean Murray, Foster Securities Inc. First Manhattan Co.

**Equitable Securities Corporation** C.L. King & Associates, Inc. Parker/Hunter

Pennsylvania Merchant Group Ltd

William K. Woodruff & Company

This appoundement appears as a matter of record only T. M . O. TURKISH GRAIN BOARD U.S.\$ 75,000,000 TWO YEAR FACILITY

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Bank Austria Aktiengesellschaft - Banque et Caisse d'Epurgne de l'Etut, Luxembourg The Commercial Bank of Korea, Limited, Singapore Branch - Hua Nan Commercial Bank Ltd., Offshore

Banking Branch Taipei Taiwan R.O.C. - Moscow Narodny Bank Limited - The Hokuetsu Bank, Ltd. Funds provided by ABC International Bank PLC, Paris Branch - The Oai-Ichi Kangyo Bank. Limited - The Sakura Bank, Limited Banque Internationale de Commerce - DG BANK Deutsche Genossenschaftsbank - Bank of Scoul

The Mitsubishi Trust and Banking Corporation - Bank Austria Aktiengesellschaft

Banque et Caisse d'Epargne de l'Elat, Luxembourg - The Commercial Bank of Korea, Limited, Singap Hua Nan Commercial Bunk Ltd., Offshore Banking Branch Taipei Taiwan R.O.C. Moscow Narodny Bank Limited - The Hokuetsu Bank, Ltd - Caixa Geral de Depositor Frankfurt Bukarest Bank AG - Iran Overseas Investment Bank Limited Monte Dei Paschi Di Siena, Frankfurt am Main Branch - The Daisan Bank, Ltd - The Shinwa Bank, Ltd United Taiwan Bank, S.A. - Salzburger Sparkasse Bank AG, Salzburg, Austria - Park Avenue Bank N.A.



Banque Internationale de Commerce

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### Europe stands back ahead of German rate decision

FT FIXED INTEREST INDICES

By Peter John in London and Patrick Harverson in New York

EUROPEAN government bond markets were yesterday caught in the thrall of the German rate cut debate and held fast ahead of the first signals due today.

#### GOVERNMENT **BONDS**

Many economists expect a quarter-point reduction in the all-important German discount rate to 6.25 per cent, which could allow France to lower its 6.75 per cent intervention rate. It would also give other EC members, particularly Belgium, a chance to ease further.

However, high money supply figures last week cast a shadow over the leeway that the members of the Bundesbank Council will have when they return from their summer break for Thursday's meeting.

to see whether Germany's repo auction on Wednesday will be fixed at 6.8 per cent or variable. If the latter, the repo could rise slightly, increasing the gap with the discount rate. The first regional inflation

figure is also expected today and could provide an opportunity for easing if it points to a per cent on a three-month annualised basis. German government bond futures on Liffe

■ FRENCH debt prices marked time despite the suspension of the emergency 24-hour lending facility set up to counter the wave of franc selling that led to the broadening of the ERM bands at the beginning of the

The standard five-day to 10day lending rate remained at a punishingly high 10 per cent but is expected to fall to the final 24-hour level of 7.75 per cent shortly. French 10-year futures closed two basis points firmer at 122.16. However, the balance of strength was on the shorter end of the yield curve which is more sensitive to interest rate cuts.

■ IN the UK, gilts were firm at the long end, but the sustained rally of recent weeks appeared to lose some impetus.

With no significant domestic data or political factors to concentrate on, dealers waited to see what would happen in Germany. Long gilt futures were up \( \frac{1}{2} \) at 112\( \frac{1}{2} \) by the close but the support was not there and turnover was just over a paltry 14 500 contracts

■ HIGH-yielding markets were enlivened by a rate cut and

rose 9 basis points to 97.07.

Year Aug 23 Aug 20 Aug 19 Aug 18 Aug 17 ago High ° Lowr ° 101.77 102.07 102.38 102.31 87.90 124.27 124.51 124.54 124.23 104.51 GILT EDGED ACTIVITY Aug 19 Aug 18 Ант 20 92.4 101.2 110.9 103.5 118.8 sod 1974

> encouraging inflation data. Spanish Bonos futures lifted more than half a point to 97.59 after the central bank announced a one-point reduction in its intervention

Although not significant in itself economists said the cut heralded an easing in the repo today from its present 10.57 per

In Italy, government bonds responded to the latest consumer prices data that repreencouraging year-onyear inflation of 4.4 per cent. unchanged from the official July figure. They also bounced from a sharp technically inspired fall late last week. Italian bond futures on Liffe lifted half a point to around 111.44.

Portuguese bonds, especially long maturities, closed higher on strong demand from local investors who foresaw foreign

buying later as interest rates

■ DANISH bonds reacted to a half-point cut in the central bank's 14-day certificate of deposit rate to 10.5 per cent the first since early August's ERM changes.

Short-term bonds lifted with 9.25 per cent two-year paper rising 0.25 point to 104.75. But the cut failed to impact on longer-term paper - the key 8 per cent Danish state bond due 2003 closed five basis points lower at 108.87 on profit-taking.

■ US TREASURY prices eased slightly yesterday morning in listless trading.

By midday, the benchmark 30-year government bond was down in at 100 ii, yielding 6.217 per cent. At the short end of the market, the two-year note was down 1 at 100%, to yield

BENCHMARK GOVERNMENT BONDS Price Change Yield ago 119.0149 -0,173 6.84 6.84 AUSTRALIA 9,000 03/03 112,6000 -0.100 7.11 7.16 7.15 **BELGIUM** 103.7550 -0.050 6.98 6.96 7.34 CANADA . 8.000 05/03 108.6700 -0.055 6.72 6.82 7.16 5.78 5.77 638 634 8.000 05/98 8.500 04/03 6.600 07/03 101,2950 +0.120 639 634 651 11,500 03/03 109,3500 +0,570 10.201 10.04 11.05 ITALY 3.91 3.77 4.27 4.18 4,800 06/99 4,500 05/03 105,7000 6.18 6.22 NETHERLANDS 10.300 06/02 105.2250 9.39 9.47 10.29 SPAIN 7.250 03/98 5.59 6.20 5.68 US TREASURY 6.83 6.87 8.000 04/03 108.0500 ECU (French Govi)

Trading was extremely quiet in the morning, primarily because this is the most popular week on Wall Street for holidays. In the absence of fresh economic news, attention was focused on apcoming supply, although there were reports of

London closing "New York morning session † Gross annual yield snotucing withholding tax at 12.5 per Prices: US, UK in 32nds, others in decimal

from overseas investors. On the supply front, the Treasury is due to auction \$16bn of two-year notes today, followed by \$11bn of five-year notes tomorrow. Traders said that the short-end of the market eased yesterday in antici-

continued buying of bonds

pation of the two auctions.

 Lazards, Barclays and James Capel have won the mandate to lead manage a \$100m Euro convertible issue for Shipping Credit and Investment Corporation of India, writes R.

C. Murthy in Bombay. Essar Gujarat floated a Euro convertible with put option, which attracted investors Shipping Credit is expected to allow a similar put option to its Euro convertible scheduled for launch in **Guinness Mahon** to form specialist bond-broking unit

By Tracy Corrigen

GUINNESS MAHON, the UK merchant bank owned by the Bank of Yokohama, is setting up a capital markets operation which will specialise in broking bonds.
"A major capability in the

fixed income sector is something I have been seeking for some time," said Mr David Potter, chairman and chief executive of Guinness Mahon.

Guinness Mahon Capital Markets will be headed by Mr Guy Burgun, who previou ran Leu Securities, and will be staffed by 10 former Leu trad-

Leu Securities, part of the Bank Leu group which is majority-owned by CS Holding, was closed down at the end of July and its activities merged with Swiss Volks-bank's London operation to form Swiss Volksbank Securi-

The move was part of a restructuring of subsidiaries of CS Holding, the parent company of the financial group built around Credit Suisse, which bought Swiss Volksbank

for SFr1.6bn (\$1.05bn) in a greed takeover in March Mr Potter said the develop ment of the fixed income side of the business would provide greater balance, as the company was currently mainly equity-orientated through its stockbroking and corporate

finance businesses. He said: "We will want to focus on developing our presence in the sterling market. We have been successful as an agency broker in equities and will look at the possibility of

agency broking in gilts." However, the firm will not attempt to compete for Eurobond underwriting business. "The barriers for entry into the primary market are too high," he said.

The new unit, which starts trading on September 1, will concentrate on broking less liquid Eurobonds and structure tog private transactions. Bank of Yokohama, Japan's

largest regional bank, took over Guinness Mahon in 1991 after the company had suffered heavy losses on leasing, property and commercial loans dur ing the 1980s

### JP Morgan pulls off first 15-year D-Mark offering

By Antonia Sharpe

J. P. MORGAN, the US banking group, brought off a considerable coup yesterday when it arranged the first 15-year bond offering in the D-Mark sector.

#### INTERNATIONAL **BONDS**

So far, foreign banks have had only limited success in winning mandates in this important sector of the international bond market. For years it has been dominated by German banks. Deutsche and Dresdner in particular.

Mr Maarten van Eden, head of J. P. Morgan's syndicate desk in London, said that yields on 15-year Dutch and French government bonds were used as a guide when pricing the DM1bn offering for

LKB Baden Württemberg Finance, because a German government bond of that maturity does not exist.

The yield differentials between 10-year French, German and Dutch government bonds were also taken into

The calculations resulted in a theoretical 15-year bund yield of 6.70 per cent, in line with the yield on French government bonds and 15 basis points above the yield on Dutch government bonds. This compares with a yield of around 6.80 per cent on 15-year German domestic bonds.

LKB's bonds, which carry a coupon of 61: per cent, were priced to yield 6.69 per cent, or 36 basis points above the 61/2 per cent bund of July 2003. When they were freed to trade, the spread parrowed slightly "You can argue that this is

FT/ISMA (NTERNATIONAL BOND SERVICE

aggressive since it prices this issue where you would expect to see the bund," Mr van Edeu said. However, he felt that the pricing of the bonds was justified by strong investor demand for long-dated paper the issuer's triple A rating and eness to German state risk, and the fact that there were

no comparable issues outstand-

Syndicate managers involved in the deal said that they expected further 15-year D-Mark offerings to emerge now that a precedent had been

for such offerings from pension funds and insurance companies which have to match liabilities of a similar maturity. They said that the most obvious borrowers at this area of the yield curve were sovereigns, but that the lack of swap

They reported good demand

#### NEW INTERNATIONAL BOND ISSUES US DOLLARS Lehman Brothers Holdinoz Feb.1996 undisci Lehman Brothers Intil 10bn 100R D-MARKS LKB Baden Württemberg Fin. LB Schleswig-Holstein Kasai Kogyo Co.(c)©

101.95 Sep.2008 Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lear manager.  $\phi$ With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level, a) Coupon page

Lehman Brothers was also

opportunities would limit their

FRENCH FRANCS

Lehman Brothers also stole the German banks' thunder yesterday when it arranged a 10-year bond issue for LB Schleswig-Holstein.

Demand was such that the issue was increased by DM50m to DM200m. The issuer has an option to change the status of

active in the Euroven sector leading a Y10bn three-year offering of floating rate notes for itself. The notes, which pay interest of 40 basis points the bonds from senior to suborabove three-month Libor,

attracted demand from Asia.

### F&C to launch India fund for mid-sized companies

By Antonia Sharpe

FOREIGN & Colonial Management, one of the first fund management groups to give investors access to the emerging markets in Latin America in the late 1990s, is about to launch an open-ended fund investing in medium-sized Indian companies.

India is widely regarded as the emerging market of the 1990s, following the country's introduction of free market

Some \$1bn is already invested in Indian equities through existing closed-end funds. F&C hopes that its fund, Indian investment Company Sicav, will attract between \$50m and \$100m during its launch period, which runs Mr Sanjit Talmider, Indice's

LIEUE ENITTY ARTHUR

provided an opportunity to invest in India's medium-sized companies which he believed were greatly undervalued. Trading in the shares of medium-sized companies has

become much more liquid in

the past three years when turnover in the so-called "B" shares has risen from 15 per cent to 27 per cent of daily turnover which is now \$100m. Mr Talukdar said Indico was the first fund to be managed offshore and to employ an adviser from the private sector. This gives us freedom of activity from local advisers,

Mr Talukdar said. Until the introduction of new legislation last September, the Indian ministry of finance only gave approval for open-ended fands which were administered by india's public-sector banks.

4.36 4.58 3.56 4.39 10.79 10.53 10.38

#### **MARKET STATISTICS**

DICEC AND EALLS VECTEDRAY

dinated debt.

FT/ISMA INTERNATIONAL BOND SERVICE	RISES AND FALLS YESTERDAY	LIFFE EQUITY OPTIONS
Listed are the latest international bonds for which there is an odequate secondary market.  Latest prices at 8:55 pm on August 2:  Chg.  Chg.	Rises Fells Serne British Funds	CALLS PATE CRES PRES CALLS PATE
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ing on a scheme to raise at

least £100m to form a new

scheme which could raise up to

Kleinwort Benson is under

stood to be examining the for-

mation of an investment trust

which support syndicates man-

aged by Sturge Holdings. Salo-mon Brothers, JP Morgan, SG

Warburg, Phoenix Securities

and Chase Manhattan are

among other companies

involved in Lloyd's corporate

capital initiatives. Lloyd's hopes to raise at

least £500m in corporate capi

tal boosting capacity at the

Hickson said that Holmes had

been spending "general and administration" money on its European strategy, with little to show for it. While Holmes

Protection in the UK was still

operating, activities on the Continent have now been

(\$195,000) as debt rose to \$5m (\$1.5m) at the period-end.

Holmes was forced to borrow

from its bank when in March it

had to cancel a share placing.

after an investor, thought to be Faisal Finance (Switzerland),

failed to honour its agreement

to pay for 1m shares. Legal

proceedings continue in Swit

Earnings were 0.1 cents (3.3

Interest costs rose to \$262,000

delayed.

zerland.

cents) per share.

market in 1994 by £1bn.

### Rea and UBS in Lloyd's venture

REA BROTHERS, the small independent merchant bank, and UBS, a subsidiary of the Union Bank of Switzerland, are ioining forces to explore new investment opportunities at the Lloyd's of London insur-

A pathfinder prospectus for a £35m investment trust backed by the two groups and supplying capital to a range of Lloyd's syndicates could be issued in early October.

The two groups aim to list Finsbury Underwriting Investment Trust on the Stock Exchange

Inclemency

corks future

Hail and blight can now be

added to over-expansion, crip-

pling debt and management

incompetence on the list of

main causes behind the col-

lapse of UK companies. The Hungerford Wine Com-

pany has entered voluntary

liquidation, in large part because the harvests of 1991

and 1992 were rendered disas-

trous by heaven-sent afflic-

tions, according to Mrs Shirley

Jackson, provisional liquida-tor from Begbie Norton, the

She said that HWC's cash-

flow had been hit by the lack

of product to sell, and this was

in spite of no lack of custom-

HWC specialised in the top

sector of the fine wine market

and especially in the Bordeaux

en primeur trade, selling to

private consumers and collec-

tors. It has wine laid down in

explored all potential routes to

reconstruction, she said, but none had borne fruit. His main

concern now was to ensure

that clients could take deliv-

ery of their wines, perhaps on

payment of a levy for storage

Mrs Jackson herself is aller-

and transportation.

gic to wine.

than 1,500 customers.

ers in the fine wine market.

insolvency practitioner.

for HWC

By Peter Pearse

A final decision to go ahead is dependent on the publica-tion of a detailed rule book

governing the operation of "incorporated Names" by Lloyd's early next month. Approval by existing Lloyd's Names, the individuals whose assets currently supply the market's capital base, will also

be required. Names are due to

meet on October 20 to vote on the market's initiative to attract corporate capital.
"We are fairly confident that if rules are promulgated we can move ahead as we plan to. But there are no guarantees," said Mr David Lyons, a direc-

tor of Rea Brothers. In particular, Lloyd's will need to reassure investors that they will not be liable for liabilities arising from old insurance policies underwritten before 1986. Lloyd's announced

HOLMES PROTECTION, the

US security group quoted in

the UK suffered a sethack to

its recovery in the six months

to June 30, when pre-tax profits fell from \$1.47m to \$133,000

Mr Richard Hickson, chief

executive since Mr Eric Kohn

resigned in May, said the reor-

ganisation of the group had

involved the "clean-up of both

its balance sheet and its

The former - it had been

necessary to clear the \$73m of

debt built up in the acquisitive

1980s and had resulted in the

note-holding banks now con-

trolling 53 per cent of Holmes'

equity - had been achieved, he

By Peter Pearse

(£89,000).

operations".

in April that it will transfer all such liabilities to a new con-Underwriting Agents are workpany, establishing a ring fence to protect new investors. There must be absolute con-

fidence that people will not be funding past losses. The ring fence must work," explained Mr Lyons. Rea Brothers and UBS will work with Wren Underwriting Agencies and Finsbury Asset

Management.

Investments of some £35m will allow Lloyd's syndicates to accept up to some £60m in premium income, making the scheme less ambitious than some others currently being considered by a range of US and UK banks and finance

houses.

BZW and Sedgwick Lioyd's

said, though it had taken lon-

ger than anticipated. This in

turn delayed the progress of

the latter, which is now only

Mr Hickson said that both he

and Mr Kohn had been cau-tious not to repeat Holmes' old

mistakes. Therefore there had

been a delay in the intended

programme of acquisition of

subscriber monitoring con-

tracts. The rate of subscriber

cancellations had fallen 79 per

cent year-on-year in the first

half, and was the lowest since

Group turnover slipped to

\$27m (\$28.3m), of which moni-

toring and service of alarm

systems contributed \$20.6m

(\$21.5m). Net operating costs

rose to \$13.6m (\$12.4m). Mr

Investments boost Hibernian to I£8.9m

two thirds complete.

Holmes recovery hits setback

with tumble to \$133,000

#### **GA** plays down US asbestosis investment company, while James Capel and Samuel Montagu are involved in a separate claims

By Richard Lapper

GENERAL ACCIDENT, the composite insurance company, yesterday insisted that it was fully reserved against asbestosis claims arising from a US court judgment earlier this

Fears that GA's exposure to the claims, which arise from underwriting operations in Australia, weakened the company's share price yesterday, leading to a 5p fall on the day

to 687p. The claims concern public liability policies bought by CSR, the Australian building materials and mining group, and were made by US workers injured by asbestos mined and exported by a CSR subsidiary, Midalco, at the Wittencom asbestos mine in Australia.

The insurance policies in question were written between 1955 and 1978. In the latest stage of a complex and long-running liability suit a Mississippi court ruled against CSR on August 5. CSR was ordered to pay damages of \$2m (£1.3m) to four plaintiffs.

GA said yesterday that the risks were reinsured, that it was fully reserved and that the claims were "irrelevant in the context of GA's current level of business."

GA is also in litigation with CSR on these matters and a result was unlikely to be reached for "several years".

#### Cowies realise £5.24m from share disposal

Sir Tom Cowie, who is stepping down at the end of the year as chairman of T Cowie, the motor dealer and bus and coach operator he founded has sold part of his holding in the company.

Sir Tom and Lady Cowie have disposed of 1m and 500,000 shares respectively at 260p each, in line with yesterday's market price of 261p. The disposal realised £5.24m and leaves the chairman with a stake of 4.69 per

### **Guinness Peat shows** sharp increase to £6.75m Turnover was steady at

By David Blackwell

GUINNESS PEAT Group, the UK investment vehicle of New Zealand entrepreneur Sir Ron Brierley which took over Brown Shipley Holdings in March, reported a sharp rise in pre-tax profits for the first half of 1993.

Profits came to £6.75m, com-pared with £3.15m for the nine month period ended June 1992, when the company changed its vear end.

GPG attributed the rise to a good performance from its main asset, Tyndall Australia, the life assurance and fund management company in which it has a 56 per cent stake. In addition the group cited the unwinding of its joint venture with Brierley Investments in Rossington, owner of the majority of Australian Consolidated Investment, which has oil and brewing interests.

£13m, in spite of the difference in accounting periods. Interest payable fell to £322,000 (2701,000).

The acquisition of Brown Shipley has proved 'very complementary to **GPG's UK** 

operations'

GPG paid £5.6m for Brown Shipley Holdings, the invest-ment and broking business arm of the UK merchant bank. Yesterday the group said the acquisition had proved "very complementary to GPG's UK operations." It contributed £280,000 after-

tax in the last two months

of the latest period.

Mr Blake Nixon, GPG director, said the purchase of Brown Shipley was "the sort of thing we expect to do quite regularly in the UK." The group would be looking for companies that would respond to its skills.

Last November GPG regained its stock market listing after a suspension lasting nearly two years. The suspen-sion was imposed because GPG was considered a shell company with no underlying busi-

ness activity. Mr Nixon said the suspen-sion had held the company back. "It tied us up in huge amounts of non-productive work. Now we can focus on the basic business."

Earnings per share were 0.86p (0.71p) after payment of minority interests of £1m

The shares closed vesterday at 284p, up 2p on the day.

### EC ruling against Ladbroke in France

By David Gardner in Brussels

LADBROKE, the hotels, racing and property group, has suffered a setback in its long-running attempts to penetrate the French market for betting on horse racing, the second largest in Europe after the UK. The European Commission

has turned down its complaint that Pari Mutuel Urbain, France's monopoly tote operator, was infringing EC competition rules by refusing to supply Tierce Ladbroke, its Belgian subsidiary, with audio-visual images of French horse races.

Tiercé Ladbroke is the leading bookmaker in Belgium, where its operations along the access to France's horse rac-

Ladbroke claimed discrimination and abuse of a dominant position by PMU, because the French monopoly supplies pictures and sound of French races to Deutscher Sportverlag Kurt Sttof of Cologne for the use of German bookmakers. The EC has decided that

PMU is entitled to choose, market by market, whether or not to provide its services to offtrack betting operators. PMU has chosen not to do so at all within Belgium, the EC said. "The situation would be different if [it] decided to give licenses to certain bookmakers [in Belgium] while refusing them to others."

#### French border have indirect DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
fn	0.5	Oct 8	0.5	0.75	1
int	25	Sept 28	1	- '	1
int	23	Sept 20	2.1	-	6.2
irit	0.35	Nov 30	nii	-	Œη

#### BTR awarded £55m aircraft parts contract

BTR has been awarded a £55m contract by Industri Pesawat Terbang Nusantara, Indonesia's state-run aeronautical company, to manufacture parts for the N250 passenger

The N256 is a 64-seat turboprop regional aircraft which is being built by IPTN at Bandung, Indonesia. The contract is for the supply of the tyres, wheels, brakes and anti-skid

equipment for the aircraft.
The wheels and brakes will be supplied by Dunlop Avia-tion Division - part of the BTR Aerospace Group - in partnership with Aircraft Braking Systems Corporation, a US manufacturer.

Dunlop Aviation Division will team-up with Magnaghi of Italy in the manufacture of the brake control and anti-skid systems, while Dunlop Aviation Tyres Division - also part of BTR - will supply the nose and main bias tyres for the aircraft.

BTR also appounced it was to invest some \$10m (£6.7m) in a new 45,000 sq ft plant in the US for its Raton Technologies

#### bonded warehouses for more HIBERNIAN Group, the Mr Nick Davies, owner and Dublin-based insurance and managing director, had

financial services company, reported a 2.3 per cent increase in first-half pre-tax profits from 1£3.65m to 1£8.85m (£8.23m).

Increased underwriting losses of I£8.46m (I£6.35m) were more than offset by a rise in investment income to L£17.3m, un from IE14.7m.

Mr Cecil Hayes, general manager finance, described the

result as "very satisfactory," pointing out that in the 1990 and 1991 first halves underwriting losses were i£13.5m and IE11.1m respectively. Last year's first half had been exceptionally good with no weather-related claims. whereas the 1993 first half had

The increase in investment income was attributed to strong cash flows and the high levels of interest in Ireland in

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suffered an increase in the

number and cost of claims.

the early part of the year before devaluation, and the rise in the equity and bond markets since. Life profits were I£53,000

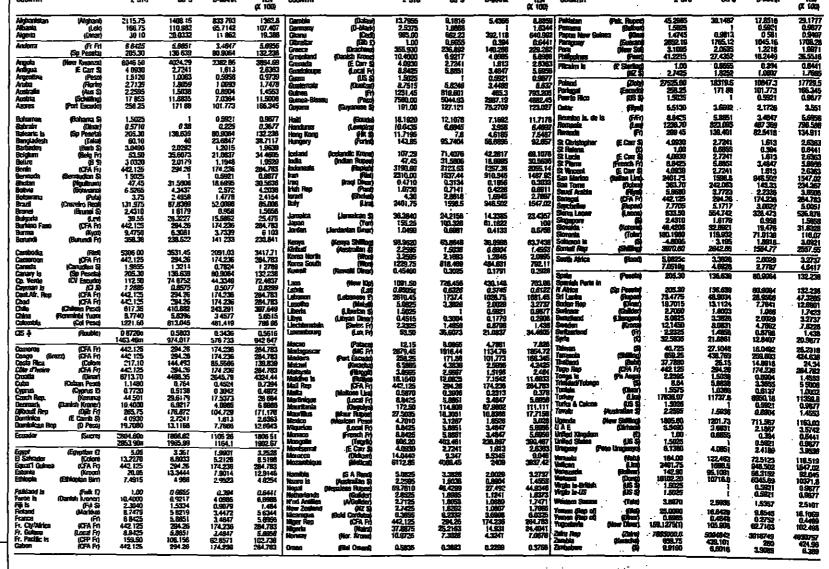
(1£313,000), reflecting the development costs of an acquisition. General insurance premium income rose 8.7 per cent to 1289.6m (1282.4m) and life premium income rose to 1£49.3m (1£21.1m).

Earnings per share increased to 11.3p (11p) and the interim dividend is raised to 2.3p (2.1p).

#### FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (nounded) against four key currencies on Moretay, August 23, 1993 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from fines of fureign commodes to which they are fied.

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#### RECOMMENDED PROPOSALS FOR THE REALISATION OF MINORCO'S

CHARTER CONSOLIDATED P.L.C.

SHAREHOLDING AND THE INTRODUCTION OF A NEW HOLDING COMPANY, CHARTER pic

Charter Consolidated P.L.C. ("Charter") announces that the Scheme of Arrangement which realises Minorco's shareholding in Charter and Arrangement affect reases without of salar motion of matter and establishes Charter pic as a new holding company became effective on 23rd August, 1993, Dealings in the fully-paid ordinary shares of Charter pic commenced the morning of 23rd August, 1993 on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited and nnesburg Stock Exchange.

Certificates for Charter shares have ceased to be of any value and certificates for the new ordinary shares in Charter pic will be posted on Tuesday, 31st August, 1993. Holders registered on the South African register will be required to deliver up their existing Charter share certificates prior to the posting to them of certificates for the new ordinary shares issued by Charter plc. Pending the despatch of share certificates, transfers of the new ordinary shares will be certified against the register. The new share warrants to bearer ('share warrants') of Charter pic have

been allotted to a trustee appointed by Charter pic and are being held for the benefit of the holders of the Charter share warrants. New share warrants will be available for collection from Tuesday, 31st August, 1993 and holders of Charter share warrants will be required to deliver their warrants (togethe with all remaining coupons, save for coupon numbered 57 which must be retained to collect the final dividend of Charter for the financial year ended 31st March, 1993) to the bearer reception office at Barckeys Bank PLC at 168 Fenchurch Street, London EC3P 3HP, or Credit Lyonnais, Centre de Valence, 10/14 Chemin du Thon, 26000 Valence, France. Within 10 business days of such delivery, holders will be able to collect new share warrants representing the number of new ordinary shares to which they are entitled under the Scheme by virtue of the holding of Charter share warrants so

The final dividend of Charter will be paid on 31st August, 1993.

Charter Consolidated P.L.C. 24th August, 1993

CORRECTION NOTICE FLOATING RATE DEPOSITARY RECEIPTS DUE 1997 sound by The Law Debenture Trust Corporation pic evidencing nititement to payment of principal and interest on deposits with BETTE

Banca Nazionale del Lavoro

London Branch
Notice is hereby given that the Rate of Interest for Coupon No. 33
has been fixed at 3.5% pa and that the interest payable on the
relevant Interest Payment Date, November 18,1993 in respect of
US\$10,000 nominal of the Receipts will be US\$89.44 and
in respect of US\$250,000 nominal of the Receipts will be
US\$2.236.11. August 18, 1993, London By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANC

US\$ 70,000,000 CENTRALSECURED INVESTMENTS N.V. **Guaranteed Secured** Floating Rate Notes due 2000

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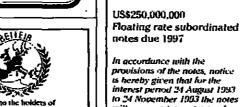
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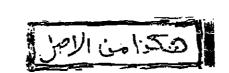


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Wells Fargo & Company

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Agent: Morgan Guaranty



#### COMPANY NEWS: UK

# Hodgson confirms thirst for Hoskins

#### By Philip Rawstorne

MR HOWARD Hodgson, one of the more flamboyant entrepreneurs of the 1980s, yesterday returned to the London stock market as the biggest shareholder and chief executive of Hoskins Brewery, the Leices-ter-based real ale brewer.

The move, which ends almost a year of friction between the brewer's board and disgruntled shareholders, added 20p to the company's shares when dealing resumed on the USM after a three-month suspension. The shares

Mr Hodgson said yesterday: "I believe Hoskins represents an excellent opportunity for us to expand the business into a substantial public company with growing profits and earn-

ings."
He heads a new but experi-Mr James Roe, a former director of NM Rothschild, who becomes non-executive chairman; Mr Shaun Dowling, chairman of Hartstone Group and a former director of Guinness. and Mr Bill Caldwell, who retired last year after 22 years as a partner in Price Waterhouse, are appointed non-executive directors. Coopers & Lybrand have

been appointed as the compa-ny's financial adviser, and Peel Hunt as its stockbroker. Mr Hodgson has paid

£303,500, or 55p a share, to acquire a 9.6 per cent stake in Hoskins from the Hoar brothers who have been running the company. Other members of his team have bought a further 3.4 per cent.

Mr Barrie Hoar, the former chairman, and Mr Robert Hoar. a director, together with their families, have also disposed of another 9.5 per cent holding which has been placed with institutions.

The Hoars, who have twice faced shareholder moves to remove them in the past year, received about £715,000 from the deals which value the company at £3.14m. The family retains a 7 per cent interest. Mr Barrie Hoar will remain a non-executive director for the time being but his brother has resigned from the board.

A group of dissident share-holders which had been challenging the Hoar brothers' management of the company yesterday formally withdrew their requisition for an extraordinary meeting.

Mr Hodgson approached the Hoars a week ago after the col-lapse of Hoskins' negotiations with Swithland Estates, a private company run by Mr Adam Page, former chairman of Midsummer Leisure. Swithland was proposing to reverse some of its theme bar businesses into Hoskins - which owns four pubs as well as a brewery the equity.
"James Roe and I spent sev eral months putting our team together and searching for the right opportunity," Mr Hodg-son said.

The new team aims to increase distribution of Hos-kins' beers, building present production from 1,300 barrels a year to 5,000, but has no ambi-tions to become a large-scale pub retailer. "In view of the narrow base of its business operations, the

company's best long-term interests may well be served by developing the business into complementary areas," Mr Hodgson said.

The company plans to embark on a series of acquisi-tions though Mr Hodgson said no targets had yet been identi-

fied.
"Our intention is to look for mature businesses, not startups or turnrounds, that are cash generative and in expanding markets. Our small head office - to which we have yet to recruit a finance director would act as a portfolio manager, overseeing a number of profit centres rather than getting involved in the day-to-day running of the businesses."
Mr Hodgson used similar

acquisitive tactics to build his family firm of funeral directors, which he bought for £14,000, into PHKI, the UK's largest quoted funeral services company with a capitalisation

Going down well: Howard Hodgson's move saw Hoskins' shares rise 20p from their suspension price

at one time of £100m. In the process, he transformed the public image of the undertaker by introducing stretched Volvo limousines in midnight blue and dressing his staff in Portland grey livery.

He was named USM Entre-

preneur of the Year in 1987 but resigned as chairman of the company in 1991, selling his shares for an estimated £6.5m. Last year, he published a book about his experiences, entitled How To Become Dead

### - in exchange for 41 per cent of **Cost cutting behind recovery**

at Aerospace Engineering

AEROSPACE Engineering turned round from a pre-tax loss of £2.16m to profit of £214,000 in the year to April 30, adjusting for the FRS 3 accounting changes.

The final dividend is held at 0.5p. Following the cut at the interim stage, however, that gives a total of 0.75p, against 1p. Earnings per share were 0.75p (losses 3.76p).

Mr John Davis, chairman and chief executive, said the recovery was achieved after absorbing £122,000 (£1.12m) costs relating to disposal of businesses, £51,000 (£742,000) restructuring costs, and

against difficult trading conditions in most of the UK mar-

The aerospace sector, in particular, suffered from weak demand exacerbated by severe competition in an over-supplied market, he pointed out.

Much of the improvement was the result of the programme to reduce costs and gearing and improve efficiency. and also to the divestment of businesses. Group activities were now focused on electronics and aerospace.

Mr Davis said while UK demand for circuit boards remained patchy, overseas ditions in the international aerospace markets were still

The sale of Forward Industries in June had a significant impact on the balance sheet, reducing debt by £2.61m. At the close of the year total debt was £5.33m (£9.21m), supported by shareholders' funds of £11.8m, reducing gearing from

79 per cent to 49 per cent. Capital expenditure of £750,000 has been authorised for equipping a new microwave circuit board facility and £500,000 in a new "clean room" status printed circuit board.

### Copymore advances to £758,000 midway

COPYMORE, the USM-quoted office equipment company, lifted pre-tax profit from 2506,000 to £758,000 for the six months to June 30.

In part to compensate shareholders for the omission of a final dividend last year, the interim is increased from 1p to 2.5p, payable from earnings of 4.5p (3p) per share. Mr Stephen Matthews, chair-

man, said turnover rose 15 per cent to £17.2m (£14.9m).

The result reflected the efforts of the sales team and determination to control and centralise fixed costs, as well as integrating new acquisi-

tions, particularly National Technical Services. As yet there was no real sign

of recovery in the office automation market, but he was confident of a satisfactory outcome for the year. Combined full year service

revenues from the acquired Solutions II group and Concorde Copiers were expected to be £1.45m. Gearing had been cut from 134 per cent to 111 per cent. Interest cover improved to 6.8 times. Mr Matthews is leaving the

board at the end of the month to concentrate on other

### The Wharf (Holdings) Limited



INTERIM RESULTS ANNOUNCEMENT FOR THE HALF-YEAR PERIOD ENDED 30TH JUNE 1993

- The unaudited Group profit attributable to Shareholders for the six months ended 30th June, 1993 amounted to HK\$1,381.0 million, representing an improvement of 44% over that achieved in the corresponding period for last year. Earnings per share were 65.2 cents.
- The Board has declared an interim dividend of 19.0 cents per share in respect of the financial year ending 31st December, 1993, representing an increase of 15% over that paid for the previous corresponding
- NAV at HK\$25.63 per share showed an increase of 20% from December 1992.

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12th October, 1993

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- In Hong Kong, Wharf has over seven million square feet of investment property and is developing a further nine million square feet over the next four years, of which two million square feet are in Singapore.
- Phase II of the redevelopment of 2.5 million square feet of Harbour City, planned to begin in third quarter of 1994, is the redevelopment of three remaining residential blocks into three 33-storey office towers with retail podiums. The redevelopment schedule will be responsive to prevailing market conditions. Phase I, The Gateway, is on schedule with the occupation permit expected in mid-1994.
- · Times Square, Parc Oasis, Lane Crawford Place, Wharf Cable Tower have received strong response.
- Wharf's new franchise projects, Cable TV and the Western Harbour Crossing, are secured and moving full steam ahead, delivering to Hong Kong all that the Group has promised. Wharf Cable will launch Hong Kong's first multi-channel subscription television service on 31st October, just five months after the licence
- The Group remains enthusiastic of its long-term and deliberate five-point regional strategy in China despite economic uncertainties. It is not unexpected for an emerging economy such as China's to develop in stages, and Wharf's step-by-step approach to selective property and infrastructure investment in China was planned
- The Group continued to expand its hotel network in North America and gateway cities of Asia Pacific through a combination of direct acquisitions and management contracts.
- Wharf is well funded with successful capital raising of almost HK\$10 billion of long term money. Low net debt to total asset ratio at 10%.

#### SUMMARY OF UNAUDITED CONSOLIDATED RESULTS

Six months ended 30th June:	1993 HK\$ Million	1992 HKS Million
Turnover	2,533.9	1,965.1
Operating profit	1,364.4	919.2
Share of profits less losses of associated companies	174.6	185.2
Profit before taxation	1,539.0	1,104.4
Taxation	(137.3)	(115.4)
Profit after taxation	1,401.7	989.0
Minority interests	(20.7)	(31.5)
Group profit attributable to Shareholders	1,381.0	957.5
Interim dividend	(411.1)	(346.3)
Transferred to revenue reserve	969.9	611.2
Earnings per share	65.2 cents	45.6 cents
Interim dividend per share	19.0 cents	16.5 cents

### U.S. \$250,000,000



#### BANK OF BOSTON **CORPORATION**

Subordinated

Floating Rate Notes Due 2001 Interest Rate

5% per annum

Interest Period

24th August 1993

Interest Amount per

U.S. \$50,000 Note due

**Credit Suisse First Boston Limited** 

#### 24th November 1993 U.S. \$638.89

#### Notice to Bondholders

U.S. \$75,000,000

Fletcher Challenge Financial Services Netherlands B.V.

8 per cent. Subordinated Guaranteed Convertible Bonds due 1998

NOTICE IS HEREBY GIVEN that in accordance with the Conditions of the Bonds, as set out in Redemption and Purchase Clause (d), the holder of any Bond (a "Bondholder") may exercise such Bondholder's Option to require the Issuer to redeem such Bond(s) at par on 22nd November, 1993.

To exercise such option a Bondholder must deposit the relevant Bond(s) during the period commencing on 23rd September, 1993 and ending on 22rd October, 1993 at any of the undermentioned offices of the Paying and Conversion Agents together with all Coupons maturing after 22nd November, 1993 attached and accompanied by a written notice (an "Option Notice") exercising the option, in the form minable from any Paying and Conversion Agent.

> Principal Paying and Conversion Agent Bankers Trust Company 1, Appold Street, Broadgate, London EC2A 2HE

Paying and Conversion Agents

Bankers Trust Luxembourg S.A. 14 Boulevard F.D. Roosevelt 8 Paradeplatz 8001 Zurich L-2450 Luxembourg An Option Nutice, once given shall be irrevocable

Bankers Trust Company, London 24th August, 1993

Agent Bank

COMMERZBANK OVERSEAS FINANCE N.V. 7.05% Yen 1,300,000,000 Bonds of 1989/1993 % Yen 1,000,000,000 Bonds of 1989/1993

Redemption as per September 1, 1993 According to § 5 of the Terms and Conditions of the Bonds all Bonds will be redeemed on September 1, 1993. The redemption prica is Yen 76,640,909 per nominal Yen 100,000,000 Bond (706% Bonds) and Yen 78,198,182 per nominal Yen 100,000,000 Bond (7% Bonds).

schaft, London The Bonds shall cause to beer interest as per August 31, 1993. The coupon as per September 1, 1993 will be peid separately. Curação, August 1993 Commerzbank Overseas Fir

#### U.S. \$400,000,000

Commonwealth Bank Australia

Commonwealth Bank of Australia A C N. 123 123 124

**Undated Floating Rate Notes** exchangeable into

**Dated Floating Rate Notes** 3.4975% per annum (LIBOR 3.4375% + 0.06%)

Interest Period

24th August 1993 24th February 1994 Interest Amount due 24th February 1994

per U.S.\$ 10,000 Note U.S.\$ 178.76 per U.S.\$250,000 Note U.S.\$4,469.03

**Credit Suisse First Boston Limited** Agent

MERCURY SELECTED TRUST (SICAV) 14, rue Léon Thyes, L-2636 Luxembourg, R.C. Luxembourg No.B. 6317

#### PAYMENT OF DIVIDEND

Notice is hereby given to shareholders that an interim dividend for the year ended 31st December, 1993 of US\$ 0.20 for the Yen International Equity Fund, US\$ 0.30 for the Yen Global Bond Fund and US\$ 0.20 for the Yen Global Equity Fund has been declared by the Board. These dividends will be paid on 27th August, 1993 to registered

shareholders of the respective Funds who were on the register at 12th These dividends will be paid from 27th August, 1993 to bearer share-holders of the respective Funds against presentation of coupon No. 13 for the Yen International Equity Fund, coupon No. 15 for the Yen Global Bond Fund and coupon No. 12 for the Yen Global Equity Fund at any of the company's paying agents including its paying agent in the

#### S.G. WARBURG & CO. LTD.

Paying Agency, 2 Finsbury Avenue, London EC2M 2PA from whom claim forms can be obtained. United Kingdom tax will be deducted from claims in the United Kingdom at the rate of 25 per cent, unless claims are accompanied by an affidavit. Interim dividends will not be paid on the remaining Funds.

24th August, 1993

MERCURY SELECTED TRUST (SICAV)

U.S. \$150,000,000

#### First Bank System, Inc.

Floating Rate Subordinated Capital Notes Due 1996

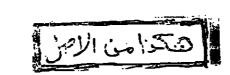
Interest Rate Interest Period

5%% per annum 24th August 1993 24th November 1993 . . . . .

Interest Amount per

U.S. \$50,000 Note due 24th November 1993 U.S. \$670.83

Credit Suisse First Boston Limited



## Copper traders expect Japanese output cuts

By Kenneth Gooding, Mining Correspondent

JAPANESE COPPER smelters are likely to cut output soon, removing up to 200,000 tonnes of annual supply from the market, according to traders and

The cuts are expected because of weak demand in Japan itself and because the charges smelters make for treating copper concentrates, an intermediate material, are

The Highland Valley mining company is reported to have completed a deal recently with Mitsubishi, Dowa and Sumitomo of Japan for between 65,000 and 75,000 tonnes at treatment charges of US\$102 a tonne, substantially below the \$115 to \$120 a tonne levels negotiated earlier this year between miners and custom

"if, as we expect, the concentrates market continues to tighten, treatment charges will move increasingly in favour of the mines," says Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal/Dutch Shell

"Some observers believe that the Japanese smelter pool, which is exporting copper for less than it would get in its protected domestic market, will cut output and reduce its

STATE-OWNED Minero Peru

has fixed the base price for its

Cerro Verde copper mine to be

sold off on October 13 at \$30m,

with a minimum investment

requirement of \$60m, the com-

pany's president. Mr Raul

Otero, said yesterday, reports

Reuter from Lima. The \$30m is

to be in cash and the invest-

NO PERMANENT cuts in

primary aluminium production

capacity are planned by pro-

ducers despite present low

prices and market turnsoil

caused by imports from the

Commonwealth of Independent

States, according to the latest

projections by members of the

International Primary Alumin-

These show forecast capacity

in 1996 virtually unchanged

from today's in every region except Africa. There Alusaf in

South Africa plans a £940m

By Kenneth Gooding

demand for concentrates." Mr Ted Arnold, metals spe-cialist at the Merrill Lynch financial services group, sug-gests that in the short term there is "a very good floor" under the three-month London Metal Exchange copper price at 30 to 83 cents a lb. However, "if the Japanese smelters start to

cut back production in coming weeks, as we and many other observers expect, then copper prices will stabilise at a higher One complicating factor is a deal being put together by a big trading house for some consumers to give them guaranteed long-term copper prices. This may be completed by the end of August. "When the deal is concluded there may be a temporary price setback," says Mr Arnold. But, "if the pricing deal results, as more and more

observers think it will, in the

withdrawal of 100,000 tonnes of

copper from LME warehouse stocks, then copper prices are

unlikely to fall far for very In Merrill's latest Weekly Futures Report he says that, although copper stocks are high, "they can hardly be described as crushing at around eight weeks of con-

Mr Arnold says Merrill is not expecting "runaway copper prices. But price surges up to

Minero Peru sets mine price at \$30m

ment is to be over five years.

Mr Otero said the investment

pledged by 19 of the potential bidders who qualified would be

a key factor as Minero was unable to develop the second

stage of the mine for lack of

financing and it would signal

The figures would be kept

smelter expansion, adding

460,000 tonnes to its present

170,000 tonnes of annual capac-

ity.
The Alusaf project will help

African capacity almost double

from 657,000 tonnes to 1.2m

tonnes by 1996. According to

the IPAI, total western world

capacity will rise by 4 per cent

to 16.7m tonnes Projected mid-

1996 capacity in other regions

is: North America 6.425m

tonnes (6.424m tonnes in 1993);

Latin America 2.07m tonnes

(2.023m) East and South Asia

1.766m tonnes (1.736m); Europe

3.553m tonnes (3.506m) and

the bidders' long-term plans.

Aluminium institute projects

no permanent cuts in capacity

prise us". In Billiton's latest Metals Report, Mr MacMillan argues that fears about a lack of world copper smelting capacity are unfounded. A tightness in capacity last year was eased by merchants shipping concentrates to remote locations such as the Commonwealth of Independent States and Zambia for treatment, he points out.

While some greenfield smelter projects have been cancelled, additions to existing smelters will add more than 700.000 tonnes of annual capacity between 1992 and the end of 1994. Also, nearly half the 972,000 tonnes of new annual copper mining capacity by the end of 1995 would use the SX-EW (solvent extraction-electro winning) technology which dispenses with the need for conventional smelting plants.

Estimates vary, but there is a broad consensus that SX-EW now accounts for more than 10 per cent of total western world refined copper output compared with 7 per cent in the mid-1980s, Mr MacMillan points out. "This proportion is likely to rise to about 15-16 per cent during the second half of this decade and could be as high as 18 per cent by the year 2000. By 1994 the production of copper by the SX-EW route

will almost certain exceed 1m

low to allow each of the 19

qualifiers to assess the mine's

worth. They are at present

making analyses of the mine to

Latest studies show that

Cerro Verde, located in the

southern region of Arequipa,

has a potential output of

Russian output of primary

aluminium was 98 per cent of

last year's levels in the first

seven months of 1993, but

nickel production fell to 80 per

cent of year-ago levels, accord-

ing to new government data,

Statistics released by the

reports Reuter from Moscow.

government press service

showed that July primary alu-

minium production was 100.3

per cent of levels in July 1992.

71.4 per cent of year-ago levels.

July nickel production was

Data on tonnages was not

COFFEE - LCE

Close

1251

1168

POTATOES - LCE

Turnover 0 (0) lots of 20 torines

Turnover: 9028 (3795) lots of 10 tannes

1155

er: 2825 (1902) loks of 5 tormes

Class Previous High/Low 75.A 76.7 77.4 75.D

verify its reserves.

mated that the call on Opec oil from production and stocks will run to 26.02m b/d for the final quarter of the year. Since stock levels are fairly high that does not leave much room for a production increase.

#### Natal sugar growers struggle against drought SUGAR GROWERS in Natal

are struggling to save what they can of the drought-stricken 1993-1994 crop, which is expected to yield only 1.2m tonnes, down 300,000 tonnes from last year and 900,000 tonnes below the normal level. according to industry officials,

He added that the Natal south coast and midlands were the worst affected production result of the drought, he said. Systems, said on Friday that

769 762

815 804 824 812

833 824

1253 1223

1175 1152

\$10/index po

105,20 105.00

110.50 High/Low

105.20

108.50 108.60 110.80

Cicse Previous High/Low

Close Previous 105.10 105.10

108.25 108.30 110.50

1158

#### Oil prices rise further on Nigerian unrest

By Deborah Hargreaves

NORTH SEA Breut crude prices edged up 11 cents in light trading yesterday with oil for October delivery reaching \$17.09% a barrel as the market searched for direction amid conflicting signals.

Prices were pushed upwards yesterday by market fears over the civil unrest in Nigeria and the possibility that a gen-eral strike called for Wednesday could affect oil loadings.

The threat of an Iraqi return to the market, which caused so much price volatility last month, has abated for now. The Iraqis are pushing the United Nations for a complete lifting of sanctions rather than the one-off oil sale that was previously under negotiation. But the oil price is unlikely

to show much of a rise beyond \$17 a barrel before the next meeting of the Organisation of Petroleum Exporting Countries on September 25 since countries are continuing to over-produce. Opec output is estimated at 24.6m barrels a day - 1m b/d higher than the ceiling.

"The market is trying to grapple with a number of crucial issues, but at least men-tally, it's still on holiday," said Mr Peter Gignoux, head of Smith Barney's energy desk

Opec officials have esti-

reports Reuter from Durban.

"There was some rain in parts of Zululand but it is not going to do anything to this crop. It might save the cane roots from dying," South African Sugar Cane Growers' Association executive director Mr Rex Hudson said.

areas. Extensive replanting supported a deal between Lenwould have to be done as a | zoloto and Star Technology

**WORLD COMMODITIES PRICES** 

1150.5-1.5

### Fungus spoils appetite for US wheat Laurie Morse on a disease that is adding to exporters' problems

ISCOVERY OF a poisonous fungus in the US spring wheat crop prompted a jump in US wheat prices last week and threw wheat buying agencies in Japan into nervous consternation. Japan is one of the biggest consumers for high-pro tein US wheat, and one of the

few that pays in cash. The crop quality concerns have since abated, but are still sufficiently significant, analysts say, to sustain firm prices for high quality wheat world-

The fungus outbreak could not have come at a worse time for US wheat exporters. Winter wheat growers have just completed a healthy harvest and are beginning to realise that their biggest buyers - Russia and China - are drastically trimming their grain import intentions. With production growing and the international wheat trade slowing, the US Department of Agriculture proiects world wheat stocks will rise by 2.6m tonnes this year, to 135.21m tonnes.

Good crop prospects and duli export conditions left the US wheat market on the sidelines for most of the summer as relentless rains played havoc in the central Midwest and maize and soyabean prices

soared. Except for a small a portion grown on the dry southern and western plains the US winter wheat crop escaped the floods.

Until recently spring wheat crop prospects also appeared excellent. Three weeks ago a group of agricultural specialists and journalists conducted their annual tour of North Dakota and Minnesota spring wheat fields and announced the crop was two to three weeks late because of cool weather, but in superb condi-

"Then," says Mr Jim Peterson, marketing specialist for the North Dakota Wheat Commission, "we got several days of really hot weather, and with so much moisture in the ground, some of the fields were like saunas." The cool developmental period and late steamy conditions fostered a plant disease known as "scab" or "head blight", which produces a fungus that can cause nausea when consumed in sufficient quantities.

Hard red spring wheat is prized for its high protein levels, and is often blended with lower protein winter wheats for bread making. News of toxins in the first

bushels of the North Dakota wheat harvest threw spring

wheat futures prices at the Minneapolis grain exchange into a tumult. The September contract rallied 23 cents, to \$3.42 a bushel (60lb) in two days, and cash prices soared above \$5.50 a bushel as millers bid up the premiums they pay for high protein wheat.

The scurry for protein, traders say, was encouraged by reports that Canada's spring wheat crop was more than three weeks behind normal development and in danger of an early frost. France, the world's biggest high-protein wheat producer, is also experiencing quality reductions because of heavy harvest rains.

ome analysts estimated initially that as much as 20 per cent of the projected 640m bushel US spring wheat crop was affected by the fungus. But crop specialists are now calling the disease problem "localised" and are waiting for more of the crop to be cut. The US Department of Agriculture said last week that as of August 15, only 7 per cent of spring wheat fields had been

By the end of the week the September spring wheat price had moved back by 20 cents. The earlier rise "was too strong a reaction," says Mr Warren King, market specialist for Cargill Investors Services in Chicago. "Wheat prices are 60 to 70 cents per bushel higher today than they were when the 1988 drought cut the spring wheat crop nearly in half. That doesn't make a lot of sense." In the meantime. US wheat

exporters are trying to calm their best customers. Japan dithered over its regular weekly offers last week, but its buyers are expected to be back in the US wheat market again today. "They are being cau-tious," says Mr Greg Dowd, crop specialist with the export marketing group US Wheat Associates.

He thinks that China will buy only about 2.5m tonnes of US wheat this year, less than half of its nurchases three years ago. Russia, with a good crop of its own and lingering credit problems at the USDA, may take only donated US wheat this year. The former Soviet Union bought om tonnes of US wheat last year. "We'll have to scramble pretty hard to make up for loss of business that size," Mr Dowd says.

In its August 11 crop report the USDA estimated that US wheat stocks would climb to 741m bushels this year, from 529m last year, mostly because

### Firm Australian prices forecast for 1993-94

THE AUSTRALIAN Wheat 1992-93. Board said yesterday that returns for Australian Standard White wheat of 10 per cent protein were expected to stay firm at Australian \$155 (US\$105) a tonne for the year ending September 30, 1994. reports Reuter from Sydney.

Mr John Lawrenson, the board's managing director, said that the estimated return was at the top end of the range of forecasts made over the past few months, although it was well down from returns of A\$188 a tonne forecast for A\$3 and A\$10 a tonne respec-

The 1993-94 estimate was based on an Australian crop of about 15m tonnes and a con-

tinuing build-up of wheat stocks around the world. The wheat board was more optimistic about returns for high protein, premium grade wheats, Mr Lawrenson said.

"We're estimating a return of A\$168 a tonne for Australian hard wheat at 12 per cent protein and A\$200 a tonne for prime hard wheat at 13 per cent protein. That's a rise of

tively above our previous esti-However, he said the market

for protein premiums this season remained volatile. "They have risen and fallen by as much as A\$5 a tonne in the week in recent times and future protein premiums will depend on the quality of the US and Canadian spring wheat crops now being harvested."

Mr Lawrenson estimated that Australia would carry more than 1m tonnes of last season's downgraded wheat into the new selling year, grade wheat produced in the 1993-94 season

"It's unusual to forecast returns for off-grade wheat so early in the season but growers should be under no illusion as to the difficulty of marketing another large quantity of poorer quality wheat in a world market already over-supplied from last year's damaged crop," he said.

The AWB forecast returns of A\$145 a tonne for Grade Pool 1 wheat and A\$130 a tonne for Grade Pool 2 wheat for 1993-94.

### Irkutsk gold row goes to conciliation

By Leyla Boulton, recently in Irkutsk

THE RUSSIAN government and the local authorities in Irkutsk, the region that is home to the disputed Sukhoi Log gold deposit, have set up a conciliatory commission to work out differences over a deal giving a small Australian

gold producer. Mr Vladimir Dvornichenko. acting head of the regional administration, which initially

company a stake in the local

the administration had turned against the deal because the final terms were agreed without its final support.

The commission was created on Monday last week after the Irkutsk authorities took the State Property Committee in Moscow to court in protest against the terms of the deal.

tee, which is responsible for managing state property and privatisation, endorsed the creation of a joint stock company in which Star would hold 31 per cent and which would include Sukhoi Log, Russia's

238,452 kats

192,049 lots

24,371 los

1170-71

1169.5-70

among the company's assets. The conciliatory commission includes representatives of all

parties concerned except for Star. "At this stage Star is not needed. Star is a victim of, not a party to this conflict." claimed Mr Dyornichenko.

among the new company's assets, and also remove some other assets from its balance sheet. He said the commission should also seek full and clear information as how the Russian and Australian partners largest hard rock deposit. in the deal intended to proceed.

Mr Ivan Zelent, first deputy chairman of the regional parliament, said the local authoriissue, and that he believed a final decision should be taken by the court. "We need to start developing the denosir as fast He said that he believed the as possible. That will help us commission should reconsider increase our local budget reve-

> also needs to get a licence from the State Geology Committee in Moscow confirming the rights held by its Russian founder to mine Sukhoi Log, was unnecessary.

#### MARKET REPORT

London's robusta COFFEE futures climbed to the highest levels since the London Commodity Exchange's dollar contract was introduced in March 1991 as the market continued to be aided by concern about nearby supply tightness. The prompt September position touched \$1,253 a tonne and the November quotation \$1,222 a tonne. The latter closed at \$1,220 a tonne, up \$18. But dealers said the turnover was fairly light at just 2,825 lots (5 tonnes each) despite signs of continued roaster buying in the physical market, particularly of lower grade beans. COCOA also continued on its recent uptrend,

#### **London Markets**

SPOT MARKETS		
Crude of (per battel FOB)()	<u> </u>	+ cr ·
Dubul	\$14,57-4,923	
Brent Blend (Galled)	\$1E 79-6-20:	
Stant Bland (Oct)	\$17,09-7.10	
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HIME prompt debuty per to	nna CF	+ 07 -
Premum Gasobne	£792-194	• 1
Can Of	\$168-167	-3
POSTOV FUOI CIA	561-63	+0.5
Tagger Ways	\$151-163	+1
Principum Argus Estimates		
Other		• <b>æ</b> •
Cold law tray only	\$374.00	<b>-0</b> 75
Separat Rote Rock comits	481.50c	<b>-2</b>
Hereinstein (DOL DIGN CS)	\$2885	+225
Pallation (per tray of)	\$136.00	-0.75
Cupper (LIS Producer)	91.00c	-0.5
Lang (US Promiser	33.50c	-2.13
Tur (Super Lumpus roughess)	12.20m	
Ten (Palarie Youth)	224.5c	+1.5
Zac (US Prime Western	<b>ಚಿಕ್</b> ಣ	
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Liaday (English food)	≀/xq €189.5	
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Wootops (64) Super		
C a kindle unless offered to control of the control	OF PHYSICAL SA	1 00 TE

closing with gains of up to £18 a tonne. Dealers said both charts and the market's fundamentals appeared to be pointing towards higher levels. The first objective was to overcome the psychologically barrier at £800 a torine for the December position. which closed £15 up at £794 a tonne. At the London Metal Exchange three months COPPER surged in the afternoon to end at \$1,923.50 a tonne, a gain of \$16.50 a tonne from Friday. Traders attributed the rise to commission house buying, possibly including orders on Chinese account.

SUCAR .	- LCE		(S per t
<b>Yithite</b>	Ladest	Previous	High/Low
Oct	261.00	260,80	261.50 260.00
Dec.	257.00	257,50	257.50 256.50
Mar	259.00	260.30	260.00 258.50
Vitiste 96 Oct 1533	2 (1709) F L43 Dec 1	2015 White 1521.95	(PFr per torme):
CHUDE	OfL - IPE		\$/
	Lates	Previo	us High/Low
Oct	17.16	17.09	17.22 17.09
Nov	17.32	17.25	17,39 17,27
Dec	17.40		17.53 17.40
,ian	17.51		17.64 17.51
reto	17.70	17.65	17.70 17.70
Mar	17.79		17.79 17.77
Apr	17.83		17.83
Nay .	17.91	_	17.91
التعال	17.99		17.99
PE Index	: 16.97	16,98	
OVE OU	Ckese	Previous	High/Low
	163.50	162.25	164.50 163.00
Sep	185.50	164.50	168.25 164.75
Get Nev	167.50	166.25	188.25 167.00
Dec	169.50	168.50	170.25 168.75
Jan	170.75	169.75	171.75 170.50
FeD	176.50	169.50	170.75 170.50
	168.50	168.00	169.00 168.50
Mar			167.25
	187,25	166,25	
Appr Juan	167,25 165,25	164,00	165.50
Mar Apr Jun Turnover	167,25 165,25	164,00	165.50 100 tonnes
Apr Juniover	167,25 165,25 9849 7772	164,00	100 tonnes
Apr furnover TEA The Ye grees Selects	187,25 185,25 185,25 9849 7772 was against best El	164,00 25) lots of a Associati in strong ast Africana	on reports, Land general deman schenoed 4 to to tended low
Apr Juntover TEA The Ye Selecte Suic b Medun	167.25 165.25 165.25 9849 7772 was again of best Endgri Inglines waters S right Inglines waters S rights 8	164,00 25) lots of 2 Association strong 2 African 2 coring between the strong term to register core	on reports, Land general deman advanced 4 to 1 is tended love dearer particula fore groved high fore groved high
TEA The Selector	187.25 185.25 18	25 lots of	on reports, Land general deman advanced 4 to in tended foreit

الغلاليج	- LCE		(5	bet, gotere
Withite Withite	Latest	Previous	High/Low	
Oct	261.00	260,80	261.50 26	0.00
Dec	257.00	257,50	257.50 25	6.50
Mar	259.00	260.30	280.00 25	2.50
	62 (1709) F 13.43 Dec 1	Para- White 1521.95	(PEr per to	nnej:
CRUDE	OfL - IPS			\$/ban
	Lates	Previo	a High/L	OW
 Det	17.16	17.09	17.22	
Nov	17.32	17.25	17.39	
Dec	17.40		17.53	
)an	17.51		17.54	
řeb	17.70		17.20	
Mar.	17.79		17.79	17.77
ACF	17.83		17.83	
Way	17.91		17.91 17.99	
التعلق	17.99		11.49	
PE Inde	x 16.97	10,00		
	r 10076 (20			S/tonn
	Ckess	Previous	Hagh/Low	
			164.50 16	200
Sep	163.50	162-25 164-50	166.25 16	
Get	185.50 167.50	188.25	188.25 16	
New	169.50	168.50	170.25 18	
	170.75	169.75	171.75 17	
			170.75 17	
lan .	175.50	169.50		8.50
Jan Feb	168.50	168.00	169.00 16	
Jan Feb Mar	168.50 167,25	168.00 166,25	169.00 16 167.25	
Jan Feb Mar Apr Jun	168.50 167,25 165.25	168.00 166.25 164.00	169.00 16 167.25 165.50	
Dec Jan FeD Mar Apr Jun Turnove	168.50 167,25 165.25	168.00 166,25	169.00 16 167.25 165.50	

Copper, Gre		ner in			
Cash 3 menths	1946-47 1913-14		1937		19
Leed (5 per 1				<u>-</u> -	
	384-86		390.5	-1 F	38
	383-86 397-99		390.5		30 40
Nickei (S po					
	4845-50		4685	.95	
Janoriths	4700-05		4740		47
Tin (S per to					
	4810-20		4860	5	
	4860-70		1912	5	- 45
Zinc, Specia	t High G	rade	S per t	onne)	
Cash	891-32		888.5	9.5	86
3 months	904.5-06	<u>.                                    </u>	901-1	.5	91
LME Closing	EAS re	tec			-
SPOT: 1.503	<u> </u>		3 mon	ie 1,4	75.9
Copper and	lead prid	es ar	e now	express	ni bea
LONDON B				<del>i-</del> n	
Prices suppl					
Gold (tray oz				5 ectris	alent
Close	373.7			_	
Opening	374.0 373.6			247.106	
Monting fix Afternoon fix				47.315	
Day's high	374,2	5-374,	.75		
Day's low	371,79	5-372	.75 		
Loco Lein M	een Go	ki Ler	nding H	stes (	is US
1 month	2	B1	B mor		
2 months	2.	58	12 (00	वर्षाङ	
3 months	2	57			
Silver fix	pftroy	O#		S es	ocuiv
Spot	316.10	,		78.25	
3 months	320.60	0		81.70 85.85	
B months	324.7				
12 ගණ්ණ	333.50			94.75	
12 months					
12 months					
		) 			velent
GOLD COM	\$ pr	lce .00-37	7.00	194.75	
GOLD COM Krugerrand Maple leaf	\$ pr 374. 384.	10e .00-37	7.00	£ equi	250.0
GOLD COM Krugerrand Maple leaf	\$ pr 374. 384.	lce .00-37	7.00	£ equi	250.0
GOLD COM Krugerrand Maple leaf New Soverek	\$ pr 374. 384. gr 89.0	10e .00-37	7.00	£ equi	250.0
GOLD COM Krugerrand Maple leaf New Soverel TRADED OF	\$ pr 374. 384. 38 89.0	1ce .00-37 .10-38 .0-82.0	7.00 16.55 0d	£ equi	-250.0 31.00
GOLD COM Krugerrand Mapia leaf New Soveres FRADED OF	\$ pr \$74. 384. pr 89.0 <b>*TIONS</b>	109 .00-37 .10-38 0-82.0	7.00 16.55 0d	£ equi 247.00	-250.0 31.00 Puts
GOLD COM Krugerrand Mapla leaf New Soverek	\$ pr \$74. 384. pr 89.0 <b>*TIONS</b>	1ce .00-37 .10-38 .0-82.0	7.00 16.55 0d	£ equi	-250.0 31.00
GOLD COMMISSION COMMIS	\$ pr \$74. 384. pr 89.0 <b>*TIONS</b>	fice .00-37 .10-38 0-82 /	7,00 8,55 00 Calls	£ equil 247.00 58.00 -	-250.0 31.00 Pues Jar 36
GOLD COM Krugerrand Maple leaf New Soverel FRADED OF Alternintum (S Stries price \$	\$ pr \$74. 384. pr 89.0 <b>*TIONS</b>	00-37 ,10-38 (0-92)	7,00 18,55 0d Jan 44 33	£ equi 247.00 58.00 -	-250.0 31.00 Puts Jar 36
GOLD CORN Krugerrand Mapia leaf New Soveren TRADED OF Attentishen S Sinter price \$ 1175 2200 1225	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	00-37 ,10-38 0-82 / Oct	7,00 8,55 0d Ca9s Jan 44 33 24	6 equi 247.00 58.00-4 Oct 32 50 69	-250.0 81.00 Pues Jar 36 49 65
GOLD CORN Krugerrand Maple lest New Soveren TRADIED OF Attendation (S Single price \$ 1175 1200 1225 Copper (Groz	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	Oct 16 8	7,00 16,55 0d Calls Jan 44 33 24 Calls	© equi 247.00 58.004 Oct 32 50	-250.00 31.000 Pues Jan 36 49 65 Pues
GOLD CORN Krugerrand Maple leaf New Soverell TRADIED OF Resident of Sister o	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	00-37 ,10-38 (0-82) Oct 16 8 4	7.00 6.55 0d Jan 44 33 24 Calis	© equi 247.00 58.00-4 0ct 32 50 69	250.00 31.00 Pues Jar 36 49 65 Pues 64
GOLD COMM Krugerrand Maple leaf New Sovereit TRADED OF Uturnintum S Strien price \$ 1175 1200 1225 Copper (Gree 1800 1850	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	00-37 10-38 0-62 ( Cot 16 8 4	7,00 16,55 0d Calls Jan 44 33 24 Calls	0ct 58.00-4 247.00 58.00-4 27 59	Pues Jar 36 49 95 90
GOLD CORN Krugerrand Mapia leaf New Soveren TRADED OF Attentishen S Sinter price \$ 1175 2200 1225	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	00-37 ,10-38 (0-82) Oct 16 8 4	7,00 6,55 00 24 44 33 24 24 28 86	© equi 247.00 58.00-4 0ct 32 50 69	250.00 31.00 Pues Jar 36 49 65 Pues 64
GOLD CORN Krugerrand Maple leaf New Sovereit TRADIED OF Attention IS Single price \$ 1175 1200 1226 Copper (Gross 1800 1800	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	00-377 10-38 00-92 ( Oct 16 8 4 ( 20 34 17	7.00 6.55 00 Jan 41 33 24 Salis 88 63 34	E equilibrium 247,00 247,00 32 50 69 27 51 84	250.0 81.00 Puts 36 49 45 Puts 64 20 121
GOLD CORN Krugerrand Maple leaf New Soverel PRADIED OF Alteralnium (S Sinion price 3 1175 1200 1226 Copper (Grox 1900 1900 1900 1900 1900	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	Oct 16 8 4 ( 0 34 17 Nov	7.00 6.55 00 24 33 24 28 88 63 44	27 St. Nov	250.00 et .00 Pues Jar 36 49 45 Pues 64 90 121
GOLD CORN Krugerrand Maple lest New Sovereit TRADED OF Attentidum S Sinjun price S 1200 1226 Copper (Grac 1900 1950	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	00-377 10-38 00-92 ( Oct 16 8 4 ( 20 34 17	7.00 6.55 00 Jan 41 33 24 Salis 88 63 34	94.75 £ equi 247.00 Oct 550.00-1 59 27 51 84 Nov 38	250.0 31.00 Pues Jar 36 49 65 Pues 64 90 121
GOLD CORN Krugerrand Mapia leaf New Soverely TRADIED OF Mumintum (S Sinte price \$ 1175 1206 1226 1206 1200 150 150 150 150	\$ pr 374. 384. 31 89.0 */TIONS 8.7%)	00-37 10-38 00-37 10-38 00-92 16 8 4 17 Nov	7.00 85.55 00 Calls Jan 44 35 24 28 63 44 Jan 117	27 St. Nov	250.00 et .00 Pues Jar 36 49 45 Pues 64 90 121
GOLD CORN Krugerrand Maple leaf New Sovereit TRADIED OF Mumintum (S Sinjan price \$ 1175 1206 1226 Copper (Grax 1800 2000 Coffee 1150 230 250	\$ pr 374. 384. 37 89.0 */TIONS 8.7%)	(Coct 16 8 4 (COC) 108 79 108 79	77.00 18.55 00 Jan 44 33 24 28 86 83 44 Jan 111 188	247,00 0ct 55,00 32 50 89 Nov 38 59	250.00 Puts Jar 36 45 Puts 84 95 Puts 97
GOLD CORN Krugerrand Maple lest New Soveren PRADIED OF Aturalistum (S Stripe price 3 1175 1226 1226 1226 1226 1226 1226 1226 122	\$ pr 374. 384. 37 89.0 */TIONS 8.7%)	00-37 10-38 90-92 16 8 4 (00-34 17 Nov 109-57 Dec	77.00 (8.55) (8.	C equiv. C e	250.00 Puts Jam 36 49 50 Puts 64 95 121 Jern 50 72 97
GOLD CORN Krugerrand Maple leaf New Sovereit TRADIED OF Mumintum (S Sinjan price \$ 1175 1206 1226 Copper (Grax 1800 2000 Coffee 1150 230 250	\$ pr 374. 384. 37 89.0 */TIONS 8.7%)	00-37 10-38 00-37 10-38 00-92 ( 00-37 16 8 4 ( 17 Nov 108 79 79 57	77.00 (6.55 ) Jan 24 (6.56 ) 33 24 (6.56 ) 34 (6.56 ) 32 (6.56 ) 3	247,00 247,00 0ct 27,00 32 50 89 84 Nov 38 87	250.00 Puts Jar 36 45 Puts 84 95 Puts 97
GOLD CORN Krugerrand Mapia leaf New Soverel New Soverel Mumintum (S Sinte price \$ 1175 1206 1206 1206 1206 1206 150 2000 250 250 250 250 250 250 250 250	\$ pr 374. 384. 37 89.0 */TIONS 8.7%)	00-37 10-38 00-37 10-38 0-92 ( 00ct 18 8 4 ( 00ct 17 Nov 108 57	77.00 (8555) (10 kg 555) (10 k	247,00 Oct 227,00 58,00 Oct 27 51 32 89 Nov 38 89 Dec 14	250.00 Puts Jar 36 49 65 Puts 64 20 121 77 87 Max
GOLD COMMING THE C	\$ pr 374. 384. 37 89.0 */TIONS 8.7%)	00-37 10-38 00-92 16 8 4 (00-32 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 17 17 18 18 19 19 19 19 19 19 19 19 19 19 19 19 19	77,00 16,555 00 24 33 24 24 28 83 44 111 186 68 Mar 113 96	© equiv £ equiv 247,00 Oct 32,00 69 Nov Nov Nov 87 Dec 14	250.00 81.00 Puts Jara 36 49 65 90 121 Jara 50 72 87 Mar 24 24
GOLD CORN Krugerrand Mapia leaf New Soverel New Soverel Mumintum (S Sinte price \$ 1175 1206 1206 1206 1206 1206 150 2000 150 2000 250 250 250 250 250 250 250 250	\$ pr 374. 384. 37 89.0 */TIONS 8.7%)	00-37 10-38 00-92 16 8 4 (00-32 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 10-38 17 17 17 18 18 19 19 19 19 19 19 19 19 19 19 19 19 19	77,00 16,555 00 24 33 24 24 28 83 44 111 186 68 Mar 113 96	© equiv £ equiv 247,00 Oct 32,00 69 Nov Nov Nov 87 Dec 14	250.00 81.00 Puts Jara 36 49 65 90 121 Jara 50 72 87 Mar 24 24
GOLD CORN Grugerrand Maple leaf New Soveres TRADED OF Warninkum S 1175 220 Copper (Gran 850 200 200 200 200 200 200 200 200 200 2	\$ pr 374. 384. 37 89.0 */TIONS 8.7%)	00-37 10-38 0-92 1	7:00 7:00 16:55 00 14:1 33 24 24 24 24 24 24 24 25 88 83 88 81 113 88 88 88 88 88 88 88 88 88 88 88 88 88	27 58.00-1 Oct 32 59 89 87 Dec 14 21 31	250.0 Puts Jan 36 49 49 49 50 72 72 72 72 72 73 24 44 45 49 49 49 49 49 49 49 49 49 49 49 49 49
GOLD CORN Grugerrand Maple leaf New Soveres TRADIED OF Martinsum S 1175 220 Copper (Gran 850 200 200 200 200 25 50 76	S pr ST44 384 384 989 989 989 989 989 989 989 989 989 9	00-37 10-38 00-62 110-38 00-62 110-38 4 17 108 4 17 108 84 17 108 85 85 85 85 85	7.00 (6.55 00 Jan 44 35 24 24 28 86 86 34 44 113 86 Mar 113 96 80 Now Now	27 27 27 27 27 27 27 27 27 27 27 27 27 2	250.0 Puts Jar 36 49 65 Puts 84 20 121 121 121 121 121 121 121 121 121

			100	cary um	DABL 2'301 1013	اسال
75		34G-5G 705-10	4703-05	. 4	5,287 lots	COCO
-					over 3,243 lots	
_	4	30-35				
65		80-85	4850-80	1	1,079 lots	Sep
_			Total d	ally terno	rer 35,943 lots	Dec
.5		4,5-95				Mar May
_	90	8-09	911-12		9,182 lots	jui
	8 1	nonths: 1.	ARRA	91	norths; 1.4824	Sep
_						Dec
· .	per ton	ne				Mar May
	Ne	w Y	ork			COFFE
	30LD	100 troy	az.; \$/troy o			
		Cicae	Previous	High/Lo	ille	Sep
	AUG	372.5	373.4	373.6	372.3	Dec
	Seo	372.6	373.7	0 375.6	0	Mar May
	Oct Dec	373.7 375.5	374.6 376.4	377.3	373,0 374,6	'gray
	Feb	377.3	378.2	378.8	376.5	Sep
	Apr	379.0 380.7	379.9 381.6	379.1 0	379.1 0	Dec
	Aug	382.4	383.3	ō	ō	SUGAR
	Oct	384.2	385.1			
	PLATE	NUM 50	troy oz; \$/tro	y oz		
		Close	Previous	High/Lo	w	Oct Mar
	Aug	387.5	386.9	0	0	May
	Oct Jan	388.5 389.7	387.9 389.1	390.5 392.0	388.0 390.0	Jul
	Apr	390.7	390.1	D	0	O <del>ct</del>
	<u>, m</u>	391.7	391.1			C0110
	SILVE		try oz; centra			
		Close	Previous	High/Lo		
	Aug	476.0	478.4	479.5	479.5	O¢t Dec
	Sep Oct	476.3 477.7	479,8 481,2	484.D D	474.0 0	Mar
	Doc Jan	481.0	484.4 484.8	486.0 484.0	478.5 484.0	May
	Jan Mar	481,4 485,9	484,8 489,3	494.U 492.5	484.5	Jul
	May	489.4 492.7	492.8	ρ	0	Oct Dec
	Jul Sep	496.2	496,1 499,6	Ø 501.0	0 501.0	
	Dec	501.5	504.9	507.0	199.0	ORANG
	HIGH (	GRADE C	OPPER 25,0	000 los: ca	rits/ibs	
		Close	Previous	High/Lo	,	Sep
	Aug	86.10	85.50	86.15	86.00	Nov
	Sep Oct	88.20 86.30	84.95 85.10	86.60 86.10	84.40 84.90	Jan Mor
	Nov	86.25	85.20	85.20	86.20	May
	Dec Jan	88.25 86.30	85,35 85,55	86.50 0	84 90 0	Jul
	Feb	86.35	85.70	ō	0	Sep Nov
	Mar Apr	96.45. 86.60	85.90 86.05	96.50 D	86.70 0	Jan
			ht) 42,000 U			
		Lafest	Previous	High/Los		INDit
	Oct	18,38	18.29	18.48	18.30	REUT
	Nov	18,63	18.86	18,73	18.57	}
	Dec Jan	18,80 18,91	18.74 18.89	18,91 19,01	18.75 18.91	1-
	Feb	19.00	19.01	13.13	19.03	DOM
	ADr ADr	19.13 19.20	18.12 19.19	19,23 19,30	19.12 19.18	I
	May	19.28	19.26	19.38	19.28	Spor
	Jun:	19.34	19,33	19.41	19.32	Futures
	.'ul	19.48	19.40	1012	19 14	•

THE OIL I	2,000 U\$ gs	die conteñ	\$ 0.700	_ CH	nicag			
Latest	Previous	High/Low					Yar b	
53.10	52,74	53.40	52.90	_ 501/		000 by mai: a		
54.20	53.77	54,40	53.85		Ciose	Previous	High/Low	
55.15	54,75	55.25	55.15	Sep	673/6	687/6	675/4	668/0
56.10	55,63	58.20	55.79	Nov	675/4	668/2	676-8 682-4	669/D 675/O
56.60	56.48	58.75	56.50	Ján Mar	681;6 686/0	674/0 677/4	6884	679/4
56.90	56.66	57.00	56.75	May	686/2	860/3	687/0	681 10
55,80	55.88	56.00	55,90	រា <b>ង</b>	587/6	681/0	588.4	683/0
54,70 54,00	54.73 53.93	0 54,00	0 53.93	Aug	683/0	678/0	693.0	678/0
53,40	53.48	53.55	53.40	Sep	650/0	645/0	651/0	648/0
	es,S/tonnes			SOYA	BEAN OIL	Freyrous	High/Low	
Close	Previous	High/Low		Sep	23,79	23 48	23,81	23.50
1003	979	1000	978	- Oci	23.95	23.62	23 96	23.68
1054	1030	1056	1031	Cec	24.16	23.85	24.20	23.93
1088	1065	1089	1069	Jan Mar	24.27 24.43	23.96 24.12	24.43	24.05 24.20
1107	1084	1100	1087	May	21,49	24.20	24.50	24.37
1127	1104	1122	1115	ألاذ	24.47	24.25	24 50	24.25
1148	1125	1137	1130	Aug	24.35	24.15	24.35	24.25
1176	1153 1176	1755	1151	SOYA	BEAN ME	U. 100 tons:	\$/ton	
1199 1219	1176	1185 1198	1185 1190		Close	Previous	Mighto#	
EE *C* 37.	500lbs; cen	is.1ps		_ <u>Şe</u> p	216.3	214.7	218.6	2142
				Oct Dec	214.3 213.9	212-5 211.9	214,6 214 8	212.0 211.7
Ciosa	Previous	High/Low		– Jan	212.0	2116	214.2	211.7
75.75	72.45	75.90	72.50	Mar	213.9	210.7	214.0	211.5
78-25	74.95	78.25	75.10	May	213.5	211.0	213.5	211.5
80.35	77,30	80.50	77.50	Aug Jul	212.7 211.2	210.0 208.0	213.0 211.5	211.5 210.5
81.70	78.40	81.70 0	80.50 C					
63,50 64,95	80.50 82.60	85.00	84.90	MAIZI	E 5,000 bu	man: cents/56	Hateud Off	
86.90	85.50	0	0		Close	Previous	High/Low	
R WORLD	-11" 112.00	O The cent	/lbs	Sap Dec	233.4 245/4	236-6 243/2	239/0 248/0	237/2 243/6
Clase	Previous	High/Low		Mar	253/4	250/6	254/4	251/4
		<u> </u>		_ Mpv	257.6 260/0	256/6 258 0	258.7 260.2	256/6 259/0
9.28	9.12	9.33	9,08 9,37	Jul Sep	251,4	251.0	2520	250/4
9.47 9.57	9.39 9.56	9.63 9.19	9.50	Dec	243.6	244/0	2450	243/4
9.63	9.63	9.65	9.57	WHEA	T 5,000 bu	mur; conts 6	C.D-bushel	
9.84	9.69	9.66	9.58		Close	Prencus	High/Low	
ON 50,000	lbs: cents/il	36		Sep	309.€	310/3	313:0	309-4
Close	Previous	High/Low		Dec	315/6	316.2	319:4	315/4
				_ Mar May	317/4 312/0	317/4 317/4	320:4 314:2	317/4 311/2
55.48	55.03	55.50 58.60	55.08 55.08	Jul	301/0	301-6	30-0	301/0
55.48 57.88	56.08 \$7.57	57.93	57.50	Sep	305.0	306-0	0	0
68.65	56.20	58.75	58.50	Dec	3152	209-0	3122	312/2
59.38	58.85	0	0	LIVE C	ATTLE 40,	000 lbs: cent	s. 05	
59.33	59.85	59.78 60.70	59.73 59.30		Close	Previous	High Lony	
60.40	60.10 		22.20	- Aug	74,675	75,000	74,750	74,425
GE JUICE	15,000 lbs:	Cents/los		Øer	74,300	74.575 75.425	74 400 75.175	73.900 74.925
Close	Previous	High/Low		Gec Feb	75.125 75.625	75.950	75.725	75.400
120.10	118 60	130.90	118.10	Apr	76 60B	76,775	76.850	76.400
123.46	121.90	124.75	121.25	Jun	73,375 72,156	73.575 72.175	73 500 72 175	73.275 72.100
124.90	123.15	125.40	122.55	Aug				
126.80	124.40	126.95	124.50	TAE H		0 lb: cents?t		
127 45 127.45	124.00 124.00	127.25 127.00	107.60 105.60		Close	Previous	Han1aw	
125.45	122,00	0	0	Avg	50.500	51.225	50.975	50.275 45.250
125 45	120,00	G	0	Oct	45 375 45 775	15.075 15.775	45.700 45.900	35,550 35,550
125.45	ಃಘಣ	9	0	Dec Feb	72 120	45.600	45,-00	45.150
				Apr	34.17E	ن4 <b>40</b> 0	44,500	44.100 10.000
ICES_	<del></del> _		1	العال العال	49 100 47.900	49.260 48.150	49.250 0	47.900 47.900
	o Septembe					O,CAO IDEL CE		
Aug_23 1613 5	4 <u>10.20</u> 1616.0	1204 S	1518.5		Close	Presons	High Low	
	Baser Dec :	1709.2		20	39.050	41.050	÷1 050	39.050
				Aug Feb	17 675	48.5CO	48,150	-7.300
Aug 20	Aug.19	math ago	ут ассо	Mar	a7.375	46.200	47 800	47 003
122.68 es 124.75	123.35 123.84	102.57 128.63	116.13	May	47.800	48.530 67.500	48 053	47.80C 50 000
~ 15*113	-LJ-04	*F6/65		_اسار	50.000	57,200	ç	95 LEV
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INVESTORS in London remained unconvinced of the prospects for cuts in UK interest rates in the near term, and the UK stock market followed the downward trend set yesterday in the other leading European bourses. London investors took a cautious view of the latest cut in rates in France. Some stock was sold but traders showed no dismay in the 15.6 fall to 3,042 on the FT-SE 100 Index. Profit-taking was not unexpected in view of the market's strong upswing and comfort was drawn from a steadler performance in UK government bonds

There was some playing between the September future contract on the Footsie and the index stocks themselves, but activity in the futures sector was never large enough to play a significant role in equities. Sterling remained steady and it was an early fall of 16 Dow points on Wall Street that took the heart out of London in the closing minutes of the session. Also unsettling were sugges-tions that a large rights issue is in the offing, perhaps from MB-Caradon or in the building and construction sector.

The general air of malaise also hung over the second line stocks, which have fared so well in the market advance. The FT-SE Mid 250 index lost

15 points to 3,467.4, while trading in these smaller capitalised stocks made up around 64 per cent of the day's Seaq total of 546.8m shares. On Friday, 633.4m shares traded through Seaq reflected retail, or customer, business of £1.58bn.

Customer business, having traded since last September at the £1bn-plus levels regarded as profitable for the Londonbased securities trading indus-TRADING VOLUME IN MAJOR STOCKS

past month as share prices have soared to new territory above the Footsie 3,000 mark. With the influence of transatlantic markets now challenged by last week's poor trade figures from the US,

confidence. Pharmaceuticals,

in particular, shaded lower

again, casting doubt over the

cant boost to the UK market last week. Glaxo, Wellcome and most other drug leaders lacked support yesterday. international blue chips lost some of their recently revived

Nor was the picture much brighter on the domestic scene. Retail issues tried to edge forward at first as London took a fresh look at comments on German interest rate policies made in the US on Friday by the

rally in share prices in the sec-Bundesbank's vice-president, tor, which provided a signifibut support soon dwindled and the sector closed lower. The banking segment, also

closely linked to interest rate prospects since lower rates would ease some of the sector's burden of non-performing debts, again took its cue from a poor performance from HSBC, which was still depressed by last week's gloomy half-time statement rom Hang Seng Bank, its Hong Kong subsidiary.

However, the stock market rallied from the day's low point on the Footsie index of 3,035.6 and equity strategists professed to be willing to see the before the present phase of profit-taking would cause any reconsideration of mediumterm views on UK equities. The satisfactory level of retail trading volume indicated that the big institutions were trading stock, rather than merely selling. "Consolidation is the name of the game," was the comment from several leading

Hamme no	usca.	
Accoun	nt Dealing	Dates
"First Dealings: Aug 16	Sep 6	Sep 26_
Option Declarate Sep 2	lons: Sep 16	Sep 30_
Luct Declings: Sep 3	Sep 17	Oct 1
Account Day: Sep 13	Sep 27	Oct 11
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### Heavy trading in Tarmac

THE building area of the market was again rife with speculation that a heavy cash call is in the offing from Tarmac, still regarded as one of the UK's biggest house-

の場合のでは、100mの

Talk of a £200m rights issue from Tarmac has been in the market for some time, but building sector specialists are now looking for the group to call on its shareholders to boost its balance sheet and take advantage of the expected recovery in the UK housing

Tarmac shares have performed well in recent sessions, in spite of the persistent talk of a big cash call. Last week saw the shares feature prominently in the list of the most heavily traded stocks. Yesterday the ket's most active with more than 16m changing hands after a weekend during which the Sunday press highlighted the probability of a large fund-raising operation. Yesterday's turnover was the highest in a single session since December 1992 and included a single trade of 6m shares dealt at 145½p.

The share price rose to 150p yesterday, fractionally below the year's peak, before slipping back and closing a net 1½ up at 148%p. Tarmac shares have staged a strong recovery over

#### **NEW HIGHS AND LOWS FOR 1993**

NEW HIGHS (142).

BRITISH FUNDS (1) Treas. 3pc '95,
AMERICANS (1) Unitab. BANKS (1) Banco
Sartande, BREWERS 126 Regent Inne,
Weitnerspoon, BLDG MATUS (1) Strendel
Instine, BUSINESS SERVEY Sp Business Post,
Capita, Chubb Scounty, CHEMS (4) Crods.
Elie & Everand, Poring, Wardle Sionyay, CONTG
& CONSTRON (4) Ashead, Bert-dey, Eve.
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RETALLINO (2) M & W. Shopeth, NEALTH
& HSSENOLD (3) Croenacio, Huntingh Tech.,
Nesto-Eloct. (2) M & W. Shopeth, NEALTH
& HSSENOLD (3) Croenacio, Huntingh Tech.,
Nesto-Eloct., (7) Transassance, INV TRUETS
Corpor, NeSCE COMPOSITE (1) Arnor. Gen.,
NESCE LIFE (1) Transassance, INV TRUETS
(7) Basia Global Erring, Mass Was., Shibah Irv.,
Cord., Assasis Whs., Contra-Cyclical Zero Pl.,
Easter Prid., Cap., Eurocor Dust Zero Pl., First
Iristand, Prist Spanish Wis., Co Was., 97, Do
Cv., 97, Farang Eiro, Fidg. Whs., Fulcrum
Zero PL, Gartmore Scot. Cap. Do Umb., German
Inv., Was., Euchards, Essenber, Smiller Co's
Inv., TR Tech., Do Zero Pl., Usbox, Marry Inc., Do B, Neuroy Ind. B, Murry Smil.,
Mass B, Olim Zero Pl., Schnoder Spat. Cap.,
Socil, Nigf. Zero Pl., Strands J., Schnoder, Mill
Wiss, MTL. & MTL. FORMING S) Castings,
Cooper Pf., Motsce, Enchards, Sardie Co'd
Inv., BEDAA, Elion., Chesterich, Decim. Dervort
Valley, Development Scot., Programa Est.,
OTHER FINGL (8) Service, Justin Mystall, Ion.
Fortiliting, Perpelual, OTHER ROLLS (2)
Haddon, Phys., Hoffeld, Decim. Dervort
Valley, Development Scot., Cropping, Edt.,
Milley, Merroe, Tier Rat., Elect., Elect. (2)
Heldon, Phys., HOTELS & LIES (4) Euro

the past year, picking up from an all-time low of 53p, reached in September 1992.

Tarmac's interim results are scheduled for September 28. Building specialists said, however, that those figures could well be brought forward to accommodate a sizeable rights issue call. One leading analyst said a £200m issue "would come as no great surprise", adding that Tarmac is seen as one of the sector's bellwethers. with substantial exposure at both the light and heavy end of the market. "The market has been well and truly softened up for a cash call," he added.

#### Foods strong

In a market that lacked strong features, the spotlight fell on Northern Foods, which turned out to be the best performer in the FT-SE 100 in percentage terms, following a broker's recommendation. Agency broker Carr Kitcat

visited the company last Friday and issued a strong buy recommendation, predicting 10 growth in each of the next two years. Investors sent the shares

climbing 5 to 277p, an improvement of around 1.7 per cent on the day. Volume was however no more than average at 1.8m by the close.

#### Vodafone deals

Much of the activity in Vodafone, the second best per-former in the FT-SE 100 index over the past fortnight, came from two exceptionally large trades carried out in mid-afternoon. The first, a block of 6.3m shares. traded at 553½p and the second, a block of 3m, at the same price.

Vodafone shares have risen by more than 14 per cent in the two weeks, as cellular stocks benefitted from a rerating after the AT & T bid for McCaw, the US cellular group. The big US institutions were seen as keen buyers of Vodafone while some of the UK market's leading analysts have been busy promoting the shares in the past few sessions. Activity in Vodafone yesterday was believed to be US-sourced.

Shares in MB-Caradon eased a penny to 314p, amid talk that it will soon announce a one-forfours rights issue at 280p a share, to fund its acquistion of RTZ's Pillar division. RTZ

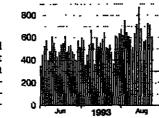
firmed 2 to 698p.

Among transport stocks, the departure of the chairman of Union Railways, the British Rail subsidiary responsible for the Channel Tunnel rail link hit Eurotunnel sending the shares falling 17 to 444p.

A decline on the Hong Kong market and renewed worries about the recent poor results from the bank's Hang Seng subsidiary saw HSBC dip 18 more to 707p of good turnover of 4.5m. The concerns about profitability in the far east also took their toll on Standard Chartered whose shares dropped 15 to 943p. Lloyds Bank, affected last

week by switching operations, staged a minor rally, closing 5





up at 533p. NatWest rose a similar amount to 486p. Royal Bank of Scotland eased a penny to 289p after Scottish Equitable confirmed it was the big seller of the shares last Fri-

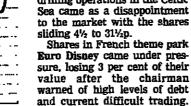
National Express were in demand ahead of next month's interim figures, and they added 4 to 261p.

The oil sector was boosted by another session of above-average turnover in the likes of Lasmo and Calor. The latter jumped 7 to 256p, after 258p following a buy recommenda-tion issued by Hoare Govett whose oil team described the shares a "cheap income play with improving fundamentals."

Lasmo continued to attract strong speculative support as last week's takeover stories and talk of a general restruct-uring in the UK exploration and production sub-sector continued to circulate in the market place. Lasmo shares settled a further 2½ higher at 139p with turnover of 4.6m, well above usual levels of activity. Turnover last Friday reached a very substantial 14m, after a week of unusually high activity, leading many oil sector specialists to the view that something may be up in the

Enterprise Oil, despite a push from one of the market's leading broking firms yesterday morning, suffered later in

#### the day, eventually closing 3 off at 428p.



Mr Nigel Reed at Paribas Capital Markets believes the company will "need an injection of finance to keep it

The shares closed 20 off at

going."

Talk that the chairman of Ladbroke may be thinking of retiring, following weekend press reports that were denied by the company, along with the appointment of a chief executive for Ladbroke's Texas Homecare subsidiary put the shares under pressure. They fell 9 to 209p, in active trading of 6m shares.

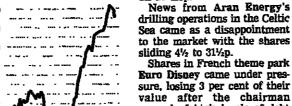
on Ladbroke's main board self market, which is currently suffering difficult market conditions.

#### FINANCIAL TIMES EQUITY INDICES

_	Aug 23	Aug 20	Aug 19	Aug 18	Aug 17	163r 200	• High	* Low
Ordinary share	2373 4	2384.1	2394,5	2406.1	2366.2	1713.7	2406.1	2124.7
Ord. div. yteki	3.89	3.87	3 85	3.84	3,90	5.22	4,52	3.84
Earning yal % Aut	1.59	4.57	4.55	4.53	4.70	7.55	5.38	4.53
P/E ratio net	27.83	27.96	28.08	28.16	27,18	16.71	28.16	19.40
P/E ratio na	25.70	25.82	.533	25.01	25.14	15.55	26.01	18.14
Gold Mines	1978	197.7	201 5	197.0	198€	82.4	249.2	80.0

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 18.00 High Low 2379.2 3381.8 2377.2 2376.9 2371.0 2371.2 2372.6 2372.5 2373.6 2384.2 2370.5 Aug 20 41,396 1746.2 48,430 39,266 1920 5 43,773 735,3 32,735 1428.7 37,831 18,919

London report and latest Share Index



Market watchers pointed out that the appointment of a new CEO at Texas who was to be suggested the company planned to continue its involvement in the Do-it-your-

Continued fears that Rank Organisation's holiday business will lose out to increasingly cheaper overseas holiday's once again dogged the shares leaving them trailing 12 to 770p. On the other hand, the current price war in overseas holiday's for next year is expected to boost earnings at Airtours. The shares gained 5 to 379p. Confirmation that the Hoar

family had sold a 22.57 per cent stake in USM-listed Hoskins. the Leicester-based brewing. pubs, and hotels group, boosted trading in the stock, sending the shares ahead. A majority of the holding was bought by a team led by the entrepreneur Mr Howard Hodgson, and the rest placed with institutions. The shares jumped 20 to 76p.
Radio stocks continued to

benefit from a Smith New Court review on the sector. Capital Radio added 10 to 225p. while Chiltern Radio firmed 8 to 78p. and USM-Listed Metro firmed 5 to 190p.

Nervous trading in Weir

Tel. 0891 123001. Calls charged at 36p/minute cheep rate. 48p at all other times.

#### **EQUITY FUTURES AND OPTIONS TRADING**

TRADING volumes were much reduced in the London derivatives markets yesterday as the underlying equity market moved into what was clearly a consolidation phase. A further cut in Bank of France interest rates failed to ignite the UK

The futures market tried to move higher at first, encour-

London of remarks on interest rates on Friday by the vicepresident of the Bundesbank. But, with European markets easier, it was soon clear there was limited basis for interest rate optimism in London.

The September contract drifted down for the rest of the session, closing at 3,056 for a premium against cash of 11 aged by wider reporting in points, compared with esti-

mated Fair Value at 6. Dealers yesterday, with the FT-SE concommented that, while this premium was quite satisfactory at this stage in the life of the contract, it reflected no great enthusiasm. Volume of 6.709 contracts was unexcit-

Total volume fell from 29,111 contracts on Friday to 15,983

Group, ahead of Thursday's interim figures, left the shares 14 off at 351p. Continued worries about the future of its proposed £250m regional jets joint venture with Taiwan continued to overhang British Aerospace, weakening the shares. At the day's low point the shares were down 21 at 428p. but they later rallied off the

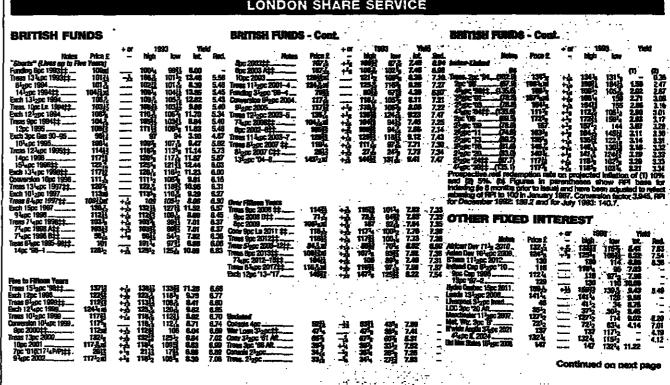
ress" in talks in Taiwan. BAe shares were hit last week by reports of outstanding differences between the two sides in the financing of the project. Profit-taking in Smiths Industries, saw the shares fall 10 to 375p.

bottom on talk of "some prog-

MARKET REPORTERS: Steve Thompson, Joel Kibazo.

THE UK SERIES. Actuaries Share Indices FT-A ALL-SHARE FT-SE MID 250 FT-SE 100 1510.98 -7.03 3467.4 -15.0 3042.0 -15.6 5.67 5.57 2311.1 FT-5E 100 3486.0 3497.4 1536.8 3494.9 3501.6 2213.3 1242.38 3482.4 3483.6 1632.4 2226,1 1116,4 5.64. 3.93 .21.96 F-を 単 200 女 b 1539.9 1748.97 35.25 32.88 22.45 FT-SE-A 360 1780.71 1757.57 FT-SE SportCop 1759.97 1751.84 1747.53 FT-SE SteelCop ex 1758.16 FT-A ALL-SHARE 33.96 42.19 1065.52 1166.23 1 CAPITAL 9000\$(2)4 7\1.31 582.09 1167.70 1181.09 Beliding Material Contracting, Con 1,27 3,56 5,68 1043.32 2094.25 1872.67 459 295 3,31 1286.03 1538.44 5 Sectionics (3) 4.61 453.84 636.50 457.21 482.63 463.00 6 Engineering-Aeron 7 Engineering-Comb 8 Metals & Metal II 457.21° 1253.64 21.54 424.29 258.45 295.77 637.68 1449.16 1259.93 2.39 4.76 4.04 461.04 468.02 37.96 23.28 489.92 2273.22 9 Motora(20) 10 Other Indust 459.34 1542.93 5.13 2259.34 3.33 3.55 3.69 3.02 3.51 4.15 2.46 7.65 1468.61 21 CONSUMER GROOP(Z33 1738.58 1735.84 1729.92 2020.38 2004.47 1382.07 1384.88 Brewers and Distille 1109.12 2503.46 3714.32 982.63 1383.43 761.63 521.95 22 Brevers and Distillent(2)
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30 Medis(33)
31 Packaging and Paper(24)
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#### LONDON SHARE SERVICE



#### **CROSSWORD**

No.8,236 Set by HIGHLANDER

ACROSS
1 Tailor needs one to record old-time dance (4,7)
7 Was in session during weekend (3)
9 Be wicked again and take sap from plants (5)
10 Titian sale without a first discount (9)
11 Unable to reproduce gather on hat (9)

ACROSS
DOWN
1 Final session in the French round (3)
2 Job available — no charge for delivery (4-4)
3 Motorway — and not less important (5)
4 Bearing on girl pilot's close shave (3,4)
5 In Paris one has to get in line to strip off (7) on hat (9)

12 Cruel form of running sore
(5)

13 Silver a key without making it everlasting (7)

15 The plot sex appeal in the Home Counties (4)

18 Shakespeare? Not all owed to say (4)

20 Corrupt heads of BR and again profit from rail agreement (7)

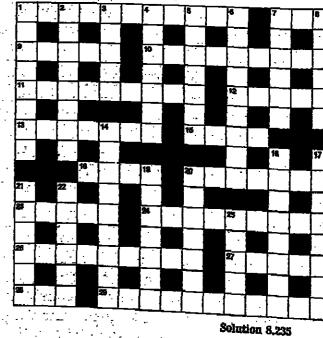
33 Grash of the Mark of the Rain of the R (8) 17 Not old enough for extraorment (7) 23 Greek character fit out in dinary nude craze (8) 19 Drawing on help, raised civvies (5) 24 Next to a pine surface (9)

24 Next to a pine surface (9)
26 Painted the town red tried rose originally (9)
27 Heath in hysterical appeal
28 Involved more by some to EC (5)

28 Was under an obligation to hear piece of poetry (3)

29 Extremely skilful people

25 Visitor is supposed to be take time to evaluate show announced (5)



1,1

SPORADIC TATTOO
A R C M S M R V
HOLST INTRODUCE
BRIEFGASE TOTED
S N P T S H
OCARAGE SHOWMAN
TRELITS VISAGE
A H H H V
N N A B
TRELITS VISAGE
TRELITS TRESSMAN

Very poor business was reported in traded options.

tract trading only 4,449 against 6,475. The actives list was headed by the Euro FT-SE (2.482) with Lasmo (1,567) again attracting speculative attention as investors pondered the implications of the Monnolies and Mergers Commisssion report for British Gas. Also busy was BAe at 686

JOTTER PAD

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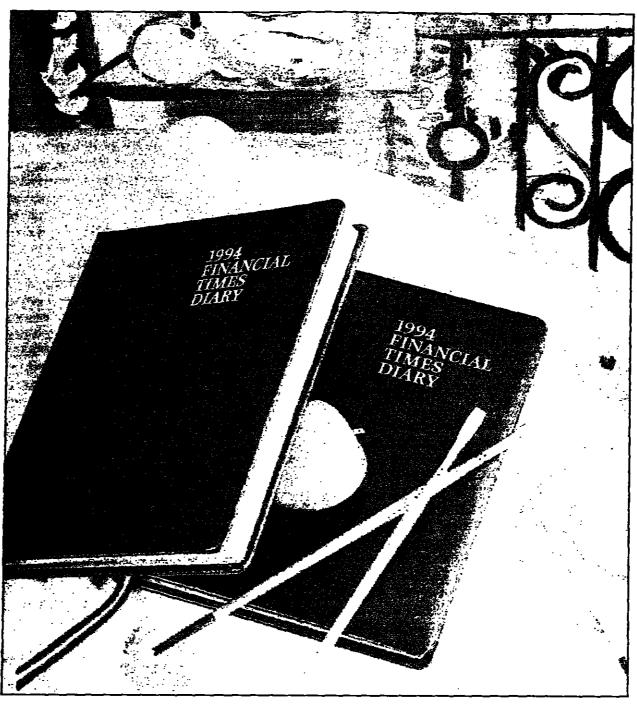
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North American, Pocket Diary	USDP	£ 14.62	£ 14.88	€ 12.97		
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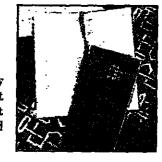
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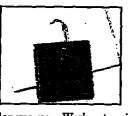
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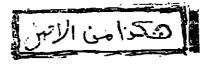
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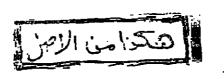
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FT MANAGED FUNDS SERVICE ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more detail. 盟: 782441 441 - 1884-1-1444 - 1444 - 1884-1-1444 - 1444 - 1 The LM 13.15 13.39 13.39 13.15 13.39 14.77 15.15 13.05 14.77 15.05 14.84 18.34 18.37 887.6 328.6 1453.4 412.3 272.5 983.2 780.8 712.2 780.8 712.2 184.9 164.9 ## -TSB Life Ltd **OFFSHORE AND** BERMUDA (SIB RECOGNISED) surance Co Ltd (z) R& B Part II

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FT MANAGED FUNDS SERVICE

### Yen gains further ground

THE yen continued to gain lar will breach the Y100 level early indication of how much ground against the dollar in as so many dealers anticipated room for manoeuvre the central bank has Monday's Asian and European at the start of last week. trading, despite the US Federal Reserve's intervention in sup-

urites James Blitz
Last Friday, the yen was already clawing back some of the lost ground against the dollar, closing in London at 12.00 the lark of the lost ground against the dollar, closing in London at 12.00 the lark of Y104.9. When Tokyo opened on Monday, the Japanese currency moved even higher, despite comments from officials that an economic expansion plan would be launched in November 1982. September and that Mr Morihiro Hosokawa, the prime minister, would visit the US in late

Dealers said that the upward pressure on the yen continued to come from exporters who sold dollars at comparatively high levels in the belief that they might get less yen for them if they waited. However, once the yen reached the Y103.30 level, the

Bank of Japan intervened to support the currency and fears that the US would echo the move stopped the weakening in the dollar/yen rate. There was no intervention when US markets opened, and the cur-rency closed at Y103.25. It is still uncertain whether the dol-

	£	IN	NEW	YORK
_	_	_		9

Aug 23	Latest	Provious Close
£ Spot 1 month 3 months 12 months	1.5030-1.5040 0.38-0.37pm 1.01-0.98pm 2.90-2.80pm	1.5145 1.5155 0.38 0.35pm 1.02 1.00pm 2.90 2.80pm
Forward premis dollar	ens and discounts	apply to line US

STERLING INDEX

8.30 arr 9.00 arr 10.00 arr 11.00 arr 11.00 pr 2.00 pr 3.00 pr 4.00 pr		81.6 81.5 81.6 81.6 81.7 81.6 81.7	81.4 81.5 81.4 81.4 81.4 81.4 81.5 81.5				
CURRENCY RATES							
Aug 23	Bank ÷ rate %	Special * Drawing Rights	European † Corrency Unit				
Sterion	1 -	0.931601	0.757365				

Aug 23	Bank ÷	Special * Drawing Rights	European † Corrency Unit
Sterling US Distar Carrectors \$ Austrian Sch Bedgian Franc Bansah Krane Datash Krane Datash Krane Datash Krane Bansah Krane Bansah Krane Sican Lar Lepasses Ten Sican Lar Sican	- 844884255 - 1489 - 14	0.931601 1.49150 1.49153 16.9926 49.6551 9.63331 2.95593 2.255837 8.22050 2231 44 8.207 10.2415 190.926 190.415 190.926 190.415	0.757365 1.14741 1.51687 13.5485 40.5761 7.8895 1.92535 2.16550 6.71004 1824.09 118.725 8.34725 1.55.151 9.21277 1.69165 770.628 0.614631

4 Bank rain reters to central bank discount rates.
These are rait quinted by the UK. Spain and treland,
† European Commission Calculations.
All SDR rates are for Aug 20

Aug 23	Bank of England Index	Morgan Guaranty Changes %			
Sterting U.S Dollar Canadian Dollar Austrian Schilling Beigian Franc Danish Krone D-Mark Swiss Pranc Durich Guider French Franc Lira Pesseta	81.4 65.5 91.0 114.0 112.4 110.0 123.6 113.5 118.7 106.5 79.6 188.6 86.1	-28.20 -12.10 -10.50 +16.00 -0.50 +31.50 +22.80 +20.90 -9.40 -34.70 +127.10 -33.70			
Morgan Guaranty changes: average 1980-1982-100. Bank of England (Buse Average 1985-100) "Rates are for Aug 20					

**CURRENCY MOVEMENTS** 

Aug 23 £ \$  Argentin	OTHER CURRENCIES					
Autorala 2.5855 - 2.2805   1.4855 - 1.485   1.485	Aug 23	٤	\$			
	Australia Begal Fintand Greece Hong Kong Jean Korsal/Sta Lusemboury Malaysia Lusemboury Malaysia Alexno N Zeninod Sandi Ar Soggere S.Ai (Cry S.Ai (Fe) Talven	2.585 - 2.2505 1.31,970 - 131,890 8.7330 - 8.7621 8.52.400 - 389,469 11,7735 - 11,7735 2.206.00 - 2.216.00 1219.90 - 1238.60 0.45410 - 0.458.60 5.145 - 53,57 3.8530 - 3.8600 4.9985 - 4.7025 2.7410 - 2.7440 5.6625 - 54735 2.4690 - 2.4340 7.0475 - 7.0985 7.0475 - 7.0985 0.655 - 44,89	1.4855 - 1.485 - 1.485 - 1.713 - 1.713 - 1.713 - 1.773 - 1.7745 - 7.74			

**MONEY MARKETS** 

rates yesterday, giving a small

lift to European markets ahead of this week's Bundesbank

council meeting, writes James The Bank of France's 50

basis point cut in its overnight

rate of lending was the fifth successive easing since the

August crisis in the exchange rate mechanism, and took the

Denmark cut its 14 day CD

rate from 11 per cent to 10.5

per cent, its first easing of pol-

icy since the widening of cur-

UK clearing bank base lending rate

6 per cent

from January 26, 1993

France's move was followed

yesterday afternoon by a

suspension of lending through

the overnight rate window for

The market viewed this as a

technical move rather than a

signal on policy, with one dealer suggesting that the

French money market had been amply supplied with

However, another dealer

wondered whether this might

be a precursor to a

reintroduction of the 5-10 day lending window which had

been at 7.75 per cent before being raised to 10 per cent in

the remainder of the day.

rate to 7.75 per cent.

rency bands.

French and Danes cut

BOTH France and Denmark cut their short term interest the run-up to the ERM crisis.

In any event, the cut in the

In any event, the cut in the

overnight rate was well priced

in by the futures market, and the September Pibor contract dropped 9 basis points to close at 93.19. The December

contract dropped 6 basis points

In Germany, Euromark contracts were a little more

buoyant in the run up to this week's Bundesbank council

meeting. The September

contract rose 3 basis points to close at 93.55 and the

December contract was up 3

The rise in these contracts

was partly due to speculation

that the Bundesbank would

ease the discount rate on

Thursday. However, few dealers believe an easing in the

repo rate is likely in its wake.

Call money remained at 6.90

per cent yesterday, modestly

Short term interest rates in

the sterling cash market were

fractionally easier, helped by

the firm despatch of a large £1.85bh daily shortage and anticipation of policy easing in

Three month money closed

at 5% per cent yesterday, a fraction below the 5% per cent

at which it had stood unmoved

last week. The December short

sterling contract was up 2

basis points at 94,59.

Germany.

above the repo rate level

basis points to close at 94.02.

to close at 94.27.

In Europe, the main focus was on cuts in French and Danish interest rates, in the latter case the first since the discount rate cut has been well

DKr4.1043 to the D-Mark.

In both cases, the currencies held steady because of a strong belief in the market that the Bundesbank will ease its discount rate at its first meeting after the summer recess on Thursday. The market is far less certain that there will be a cut in the Bundesbank's repo rate, however. Today's inflation figure for the state of Baden-Württemberg will be an

tral bank has.

CURRENCIES, MONEY AND CAPITAL MARKETS

9% BUTTORIAL SERVANI GOVT. 1908D \*
DRESS,000 1009s of 100%

Close High Low
Sep 97.18 97.25 97.05
Dec 97.30 97.33 97.24

12% HOTIONAL TAILAN BOVT. BOND (BTP) LEA 200m 1005cc of 1005

Close High Low Pre
Sep 111.41 111.50 110.90 110.8

Dec 111.13 111.14 110.72 110.5

Estimated volume 21275 (45484) Previous dey's open lat. 61859 (69520)

10%, BOTTORIAL SPANOSH CONT. BORD (BONOS)
Pla 20m 100ths of 100%
Close High Low Prev.
Sep 103.00 103.00

Closs: High Low 93 54 93.55 93.52 94.02 94.03 94.00 94.52 94.53 94.50 94.72 94.78 94.71 94.80 94.83 94.79

Estimated volume 31128 (47086) Provious day's open int. 668700 (666789)

Close High Low 92.89 92.97 92.88 93.91 93.94 93.90 94.36 94.39 94.36 94.46 94.48 94.48

Estimated volume 2066 (1460) Previous day's open int. 32952 (32901)

THRIES MOUNT IN EXECUTE STREETS FRANCE SPR Tue polaris of 100%. Sept 95.41 95.41 95.38 Dec. 95.75 95.75 95.72 Mar 95.97 95.97 95.95 Jun 95.98 95.88 95.88

THREE MONTH EUROLIRA INT. RATE LIRA 1,009m points of 100%

Close High Low 91.02 91.05 80.96 91.89 91.90 91.79 92.36 92.36 92.26 92.56 92.49

Estimated volume 4943 (7323) Previous day's open int. 85274 (84073)

Contracts traded on APT. Closing orices shows

POUND - DOLLAR

FT FRIEIRN EXCHANGE BATES

Miss Wendy Niffikeer, interpriced in by the market. If the German central bank eases its rate floor by ½ a percentage point on Thursday it is unlikely to lead to a fall in the D-Mark's value.

The weaker currencies in Europe were less well under-pinned yesterday because of speculation that their countrles might try to cut interest rates in advance of the Bundesbank meeting.

bank meeting.

The peseta dropped in value yesterday morning, bottoming out at Pta81.05 to the D-Mark from a previous Pta80.68. It later closed at Pta80.92. The escudo also eased yesterday to Es101.95 to the D-Mark from a previous Es101.40. 6. Sterling previous Es101.40. 6. Sterling was largely unaffected, closing unchanged at DM2.5375.

EMS	EUROPE	AN CURI	RENCY U	NIT RAT	ES
	Ecu Cestral Rates	Currency Amounts Against Ecol Aug 23	% Change from Central Rate	% Spread vs Weekest Currency	Divergence Indicator‡
ach Guilder Mark In Punt Igian Franc anish Pasuta Inch Franc Inch Franc Inish Krone	2.19672 1.94954 0.808638 49.2123 154.250 192.854 6.53883 7.43679	2.16550 1.92535 0.814631 40 5781 158.151 196.379 6.71004 7.89675	-1.25 0.74 0.91 1.83 2.64 6.21	7.74 7.55 5.43 5.25 4.31 3.50 0.00	- 57 97 123 43
u central tates set b anges are tur Ecu:					

ads: De boum pa licative	percentage different rmitted percentage d values only, Divergo	change denotes a wi e between the actual aviding of the curren note indicators are to Suitder and U-Mark.	manutan est i	comuna ra Com Be Es	es properios.	ON IN
POL	JND SPOT	- FORWAR	ED AGAIN	ST T	HE POUN	D
ug 33	Day's	Clase	Que monto	22 22	Three months	þ.a.
	1.5015 - 1.5175	1.5020 - 1.5030	0.38-0.36cpm	2.96	1.02 -0.99pm 0.64-0.51pm	268

US	1.5015 - 1.5175	1.5020 - 1.5030	0.38-0.36cpm	2.96	1.02 -0.99pm	268				
Canada	1.9840 - 2.0060	1.9850 - 1.9860	0.29-0.17cpm	1.39	0.64-0.51pm	1.16				
Netherlands	28450 - 28850	28475 - 28575	1g-3gC05	-1.05	4-308	-0.61				
Belgken	53.40 - 53.60	53-45 - 53.55	14-21cds	-3.93	34-43dk	-286				
Denmark	10.3450 - 10 4550		4 <sup>1</sup> 2-5 <sup>1</sup> 200005	-5.77	117-131-08	-4,88				
reizo)	1.0725 - 7.0750	1 0725 - 1,0735	0.04-0.08008	-0.67	0.14-0.2245	-0.67				
Germany		25350 - 25400	J <sup>a</sup> Japtes	-0.89	- 1 <sub>2</sub> -5-da	-0.79				
Portugal	257.50 - 259.75	257 75 · 258.75	115-130cds	-569	325-361ds	-5.31				
Spain	205.00 - 206.75	205.15 - 205.45	83-101cds	-538	243-271ds	-5.01				
Baby	2397.50 - 2412.50	2401.25 - 2402.25	6-1(Miredis	-4.50 r	27-24 <b>di</b> s	-8.75				
Horvay	10.9600 - 11.0575	10.9675 - 10.9775		-0.55	7- ∳d8	-0.23				
France	8.8350 - 8.8775	8.8375 - B.8475	1111-0083	-1.95	J-31,ds	-1.53				
Sweden	12,0400 - 12,1875	12,1400 - 12,1500	11 <sub>2</sub> -21 <sub>1</sub> 0 e04	-2.10	4 <sup>1</sup> 2-5 205	-1,56				
Jacon	154.25 - 157.00	154.75 - 155.75	ر Albus آر−گر	3.38	114-114pm	3.06				
Austria	17.84 - 17.96	17 84 - 17.87	12-13-200000	-071	14-426	-0.70				
Switzerland .		22275 - 22375	1 <sub>4</sub> -T <sub>s</sub> cpm	1.01	12 <sub>8</sub> -10m	1.90				
Equ.	1.3235 - 1.3310	1.3240 - 1.3250	0.24-0.2300a	-2.40	0.53-0.5908	-1.69				
Consinercial rates taken towards the end of London trading. So-month forward dollar 1,73-1.68pm . 12 Month 2,90-2,60pm.										
DOL	AR SPOT	- FORWA	RD AGAIN	ST T	HE DOLL	AR				
Aug 23	Day's spread	Clase	One month	P.B.	Three months	94 9				

12890   1295   14000   1,4010   0.456.40pm   364   129 - 122pm   354   1375 - 1320   1,200   1,200   1,000	DOL	Lar spot	- FORWAI	rd agai <u>n</u>	ST T	HE DOLL	AR
neff   13890   14985   14000   1,4010   0.45-0.40pm   344   129 - 1.25m   3.5   node   1375 - 13230   1,3200   1,3200   1,0200   1.50   0.160   1.998   1.59   0.47-0.45de   -1.5   netonda   1,825   1,9000   1,985   1,8985   0.60-1.03cde   -3.8   1.52-1.38de   -3.2   node   3.50   3.65   3.55   3.55   3.55   3.55   node   6,8300   6,9300   6,9250   6,9250   4,50-6.00ereda   -910   12,51-1.85de   -3.2   node   1,6300   1,6300   1,6300   1,6300   1,650   1,650   1,451-1.47de   -1,451   node   1,700   1,725   17,135   17,25   121-1.25da   -8,59   node   1,5600   1,5600   1,5600   1,5600   1,5600   1,5600   node   1,5600   1,5600   1,5600   1,5600   node   1,5600   1,5600   1,5600   1,5600   node   1,5600   1,5600   1,5600   node   1,5600   1,5600   1,5600   node   1,7000   1,7000   node   1,7000   1,7000   node   1,7000	lug 23		Clase	One month			
1.1325 - 1.1410   1.1340 - 1.1350   0.52-0.50cpm   5.39   1.25-1.23pm   4.33	neta perlands plum restk resty ugal in sty sty sty sty sty sty sty	1.890 - 1.4085 1.375 - 1.900 18.45 - 1.900 15.30 - 2.65 6.8350 - 6.900 1.670 - 1.690 1.600 - 1.72.5 13.65 - 13.60 1.600 - 1.72.5 5.430 - 5.8575 7.945 - 8.0875 103.05 - 102.75	1 4000 - 1,4010 1,2000 - 1,2910 1,8965 - 1,8965 36,950 - 6,955 1,8890 - 1,8990 1,71,95 - 1,72,05 136,60 - 136,77 1,7300 - 7,305 1,7300 - 1,305 1,7300 - 1,305 1	0.45-0.40cm 0.16-0.19cds 0.60-0.63cds 20-23cds 4.50-6.00ceds 4.50-6.00ceds 9.50-10.10freds 1.70-2.25ceds 2.30-2.45cds 3.20-3.80ceds 0.00ceds 1.40-3.80ceds 1.40-3.80ceds	3. 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	128 - 1.22m 0.47-0.55ds 1.22-1.59ds 47-53ds 12.51-19.0ds 12.51-19.0ds 253-253ds 253-253ds 253-253ds 4.75-2.55ds 6.09-0.0ds 1.09-0.0spm 9.21-10.00spm 9.21-10.00spm	268 357 -1.54 -3.25 -5.62 -7.80 -7.55 -6.51 -2.82 -4.23 -4.21 -1.25 -1.25
	<u> </u>	1,1325 - 1,1410	1.1340 - 1.1350	0.52-0.50cpm	539	1.25-1.23pm	4.37

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E	URO-C	URREN	CY INTE	REST F	RATES	
Aug 23	Short term	7 Days notice	Qne Month	(hręe Months	Sor Months	Orne Yess
Sterling SS Dollar Lan, Dollar Lan, Dollar Lan, Dollar Lan, Dollar Land Golder Land Golder Land Golder Land	54 - 54 34 - 22 44 - 14 45 - 45 55 - 64 47 - 45 7 - 67 11 - 9 105 - 105 34 - 10 34 - 10 31 - 10 31 - 20 114 - 104 114 - 104	54 54 34 - 3 45 - 42 65 - 64 47 - 45 7 - 65 104 - 97 105 - 105 34 - 3 13 - 105 115 - 104 115 - 114	5. 3. 4. 6. 4. 6. 7. 6. 6. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.	57 - 54 33 - 452 453 - 452 453 - 654 653 - 654 654 655 - 654 655 -	5474444446554575355 54744444655575355 54744446555575355 54744446555575357 54744	5.5.4.5.4.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5
Long term Eurodollers	300 YES/S 44-	fly per cent the	se sears 412-42	per card: four :	ears 5.1-413 ne	cent five years

												_
			EX	CHA	NGE	CRC	oss	RAT	ES			
Aug 23	2	\$	DSA	Yes	F Fr.	S Fr.	N FL	Ura	œ	8 Fr	Pta.	Ec
£	1	1.502	2.537	155.2	8.840	2.232	2.852	2402	1.985	53 50	205 3	13
_\$	0.666	-1	1.689	103.3	5.887	1.486	1.899	1599	1.322	35.62	136.7	0.5
DM YEA	D.394	0.592	16.96	81.17 1000.	3,485	0.880	1,124	946.8	0.782	21.09	80.92	0.5
FFr.	6.443 1.131	9.678 1.699	16.35 2.889	175.5	56.97 10.	14.38 2.524	18.38 3.726	15477 2717	12.79 2.245	344.7 60.51	1323	8
S Fr.	B 448	0.673	1.137	69.53	3.961	1	1.278	1076	0.889	23.97	91.93	1.4
	0.351	0.527	0.930	54.42	3.100	0.783	170	842.2	0.696	18.76	71.98	0.4
Ura	0416	0.625	1 056	64.61	3.681	0.929	1.187	1000	0.826	22.27	85.47	Ď
CS	0.504	0.757	1.278	78.19	4.454	1.124	1.137	1210	1	26.95	103 4	Ďê
B Fr.	1,869	2.807	4.742	290.1	18.53	4 172	5.331	4490	3.710	100.	383.7	24
Pla	0.487	0.732	1.236	75.60	4.307	1.087	1.389	1170	0.967	26.06	100.	Ō.E
Ece	0.755	1.134	1.916	117.2	6.678	1.586	2.154	1814	1.499	40.41	155.1	- i

	EX	CHA	NGE	CRC	DSS	RAT	<u>ES</u>			
5	DM	Yes	F Fr.	S Fr.	N FL	Ura	œ	8 Fr	Pta.	Ecu
02	2.537	155.2	8.840	2.232	2.852	2402	1.985	53 50	2053	1 324
	1.689	103.3	5.887	1.486	1.899	1599	1.322	35.62	136.7	0 88
92	1	81.17	3,485	0.880	1,124	948.8	0.782	21.09	80.92	0.52
78	16.35	1000.	56.97	14.38	18.38	15477	12.79	344.7	1323	8 531
39	2,869	175.5	10.	2.524	3,726	2717	2.245	60.51	232.2	1.497
73	1.137	69.53	3.961	1	1.278	1076	0.889	23.97	91.98	0.593
27	0.930	54.42	3.100	0.783	1	842.2	0.696	18.76	71.98	0.454
25	1 056	64.61	3.681	0.929	1.187	1000	0.826	22.27	85.47	0.551
57	1.278	78.19	4.454	1.124	1.437	1210	1	25.95	103 4	0.667
Ō7	4.742	290.1	16.53	4 172	5.331	4490	3.710	100.	383.7	2.475
32	1.236	75.60	4.307	1.087	1.389	1170	0.967	26.06	100.	0.849
34	1.916	117.2	6.678	1.686	2.154	1974	1.499	40.41	155.1	1.

				1.4322	1.4855	- 1/
FT L	ONDON INT	'ERBAN	K F	XINC	3	
(11.00 a.m. Aug 23)	3 months US dollars	6	months	US Dolla	55 55	
PHQ 316	offer 314	bld 3/	-	of	fer 3,	2

The fiding rates are the antimetic means rounded to the nearest one-statement, of the bid offered rates for \$10m quoted to the market by five reference banks at 11,00 a.m. each worday. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Natide Parts and Morgan Guaranty Trust.	k
MONEY RATES	-

NEW YORK			Treasury	Bills and B	onds	
Lunchtime Prime rate Broker loan rate Fed funds Fed funds at Interven	Two month Three man Six month One year	b	year year year	9 year		
Aug 23	Overnight	One Month	Two Months	Three Months	Stx Months	Lombard
Frankfurt. Pars Zurch Amsterdam Tokyo Mikan Brussels Dublis	8.85-8.95 711-712 442-513 8.56-6.62 212-3 95 <sub>8</sub> -101 <sub>4</sub> 61 <sub>4</sub> -61 <sub>3</sub>	6.70-5.85 7-3-7-3- 4-3-47- 6 52-6 60 913-92- 953-976 616-616	:	6 45-6.55 712-712 4:2-413 6.27-6.35 9:3-9:3 870-914 612-63		7.75 6.75 - - -

	0403	016 016	0-2-0-8	0-2-0-8	Г
	LONE	ON N	ONEY	RATE	Ç
_	Oversig	ra 7 days	One	Three	Т

Aug 23	Overnight	7 days notice	One Month	Free Multis	Sb Months	Que Year
nterbank Otter mentank Bid Marting CDs. coral Authority Bonds local Authority Bonds liscount Mid Deps dompany Deposits mance House Deposits make Mid Bid (Bury) mit Bids (Bury) lotal CDs	578 3 574 414 -	515 542 559 -	53 53 · · · 55 54 · 85	55555 · · · 5555 · · · 55	515 525 526 526 527 537 537 537 537 537 537 537 537 537 53	55 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5
OR Linked Dep. Offer OR Linked Dep. Bid CU Linked Dep. Offer CU Linked Dep. Bid	-	- -	298 47 47 87 87 87	382 443 443 744 744	43 <sub>8</sub> 43 <sub>4</sub> 71 <sub>4</sub> 613	3.32 4.4 61 <sub>2</sub> 84

Treasury Bills (self); one-n Bills (self), one-month 533 discount 5 07027 pc. 6CG rates for period Aug 25. 1 July 1, 1933 to July 30, days' notice, others seve borosch face for curs at and over hold under note, sportis 41c p.c.; nine-tee withdrawn for cash 11cp.	per cent three months of Fixed Rate Sterling & 1993 to Sep 25., 1993 1993, Scheme IVEV: 6 to days' fixed. Phanca of the per condition month 24 p.c., University the months 42 p.c., U	i 5)3 per cent, Treasury sport Finance. Malor up Schemes B & Bi; 7-28 009 p.c. Local Author Houses Base Rate Spo ertificates of Tan Deposi se months 5 to n.c.: The	y Bills, Average of day July 30 , 1 p.c. Reference of the sind Finance of the sind August 1 in (Sente six months 5	tender tate of 993 . Agmed atta for period Houses seven 1993:Bank ostr \$100,000

### FINANCIAL FUTURES AND OPTIONS 0ec 1.51 1.57 0.97 0.52 0.35 0.25 0.15 Strike Price 9350 9375 9400 9425 Calls - 6 Dec 2.85 2.57 2.30 2.09 Puts-4 Dec 1.72 1,94 2.17 2.46 Dec 1.11 0.87 0.85 0.44 2.73 2.97 3.23 3.50

1120 1125 1130 1135	1.85 1.64 1.45 1.28 volume to	2.56 2.35 2.16 1.98	2.72 3.01 3.32 3.85	3.78 4.07 4.38 4.70	9450 9475 9500 9525	0.01	1.27 (1.15 (1.15) 1.08 (1.10) 1.04 (1.10)	35 (S) 159 (S) 153 (S)	1.18 0.31 0.49 0.70
Providus (	(SA),2 Obes		SE2, Pode (	5774	Previous	day's open in	Cade 16	4039 Pub	10t
CHIC/	/GO				·		•		
U.S. TR	EASURY I O SZnás	90NDS ( of 190%	CBT) 6%			ESE YEN (BI \$ per Y100	i •	:	
Sáp Dec Mar Jun Sép Dec	1184 1154 1144 1124	14 117- 05 118- 00 115- 02 114- 30 113-	9 117-0 17 115-2 12 114-2 12 113-3 14 112-3	W Prev. 16 117-09 17 115-29 26 114-25 10 113-27 10 112-30 2 112-20	Sep Dec Mar Just	Latest 0.9666 0.9674 0.9619	0,9703	0.9630 0.9630	6.9 678
Mar Jun Sep	111- 111- 110-	30 38 23	:	- 111-30 - 111-09 - 110-23		OHE MARK (	<u> </u>	LORT	F
U.S. TRE \$1m pol	110-4 EASURY 1 ats of 100		sh Lo		Sep Dec Mar Jun	0.5935	0.5958 0.5902 0.5850	0.5934 0.5889 0.5849	0.5
Sep Dec Mar	96.1 96.1 96.1	83. 96. 72. 96.	4 96.6	3 96.63	THREE.	MONTH EUR	<u>.                                      </u>		
Jun Battask Ss per S	POUNED		-	- 80.51	Sep Dec Mar	Latest 95.74 96.42 96.38 96.14	96.74 96.42 96.38	98,78 98,41 96,37	. 90 90 90
Sep Dec Mar	1.50	96 1.510 10 1.50	8 1.509 0 1.499	W Press, IQ 1.5128 IZ 1,5032 IQ 1,4984	Sep Dec Mar Jun	95.84 95.41 95.31 95.10	95.84 95.41 95.31	95.82 95.38 95.30	95 92 93
	FRANC (I					ARD & POOI			-
Sep	Late 0.670	st H <sub>0</sub>	6 0.676	w Prev. 6 0.9809	Sep Dec Mar	455.00	455.40 458.05	454.60 455.55	45

SFr 125,000	Labor	High La	ev Prev.	Sep-	455.00 4		
Sep	0.6789 0.6	806 0.676	SD 0.6803	Dec	456.00 4	<b>58.05 455.5</b>	5 457,1 458,1
)ec	0.6747 0.8	767 0.874		Mar Jun	458.10 459.00		459.0
Mar Turk	0.6776	-	- 0,5778	Juli	43930	-	- 705-0
HE ANELPS	4A SE 2/\$	OPTIONS					
	per £1)						
Strike	Seo	Calle	N 1	Dec Sec		Puts Nov	Dec
Price 1.425	8.56	0ct 8.56		Dec Sep 188 0.05			1.35
1.450	6.23	6.58	8.86 7	110 011			2.01
1.475	4.04	4.71		50 0.42	1.40	217	2.84
1.500	2.28	3.17	374 4	.13 1.10	2.35	3.19	3.95
1.525	1.05	2.04	262 3	.03 2.37	3.58	4.56	5.33
1.550	0.37	1.23		21 4.16	5.34	6.19	6.93
1.575	0.09	0.72		.54 6.35 586.186 (A) (		8.04	8.65
	/s volume:						
PARIS				(MACTER) FET		<u>.                                    </u>	
PARIS	UR 10% NO	TICHAL FR	ENCH BONE	(MUCIF) FU	TURNËS LOW		Open le
PARIS To 10 YES	Upen 122.14	DONAL FR	ERICH BONE	(MUCTEF) FUT High 122.24	TURNES LOW 121.98		183,99
PARIS 7 to 10 YEA September December	Upen 122.14 121.72	Sett price 122.16 121.76	ENCH BOND Change 8 +0.02 6 +0.04	(MUCTEF) FUT High: 122.24 121.82	TURIES LOW 121.98 121.60		183,99 58,75
PARIS To 10 YEA September Secenter Secenter	Open 122.14 121.72 124.72	Sett price 122.16 121.76 124.86	ERICH BOM 6 Change 8 +0.02 6 +0.04 10.08	(MATE) F8 High 122.24 121.82 124.72	TURNES LOW 121.98		183,99 58,75
PARIS To 10 YEA September Secenter Secenter	Open 122.14 121.72 124.72	Sett price 122.16 121.76 124.86	ENCH BOND Change 8 +0.02 6 +0.04	(MATE) F8 High 122.24 121.82 124.72	TURIES LOW 121.98 121.60		183,99
ARIS to 10 YE september secember farch stimated vi	Upen 122.14 121.72 124.72 0hsme 70,65	Sett price 122.14 121.77 124.84 9 † Total	ENCH BOAR Change 6 +0.02 6 +0.03 Open interes	(MACTEF) FO   High   122.24   121.82   124.72   234,903   Interbank	TURIES LOW 121.98 121.80 124.72	:	183,95 58,75 12,15
PARIS To 10 YEA September Aarch Satirnated vo	RR 10% RU Open 122.14 121.72 124.72 Ohane 70,68 TH PIROR F	Sett price 122.16 121.77 124.86 9 † Total 9.11 Total 9.	Change 6 +0.02 6 +0.02 6 +0.03 Open interes	(MACTE) F8"   High   122.24   121.82   124.72   234,903   teleptanik	121,98 121,98 121,80 124,72 offered 12	ы)	183,95 58,75 12,15
PARIS  To 10 YE/ September  Auch Saturated viriated viria	Open 122.14 121.72 124.72 124.72 chane 70.65 TH PIBOR J 94.36	Sett price 122.17 121.77 124.89 † Total 17.77 194.27 194.27 194.27	DENCH BOND  Change  HO.02  HO.03  Change  HO.03  HO.03  Change  HO.03  HO.03  Change  HO.03  HO.	(MACTEP) FBT   High   122.24   121.82   124.72   234.903   mtertank   93.32   94.36	TURIES  LOW 121.98 121.60 124.72 offered ra 93.13 94.25	ы)	183,95 58,75 12,15 90,04 73,64
PARIS to 10 YEA ceptember occumber Aurch satirnated vi rHREE MORI ceptumber torch	10% HO Open 122.14 121.72 124.72 124.72 chane 70,65 17H PIBOR J 83.30 94.36 94.94	Sett price 122.17 124.86 9 † Total  PUTURES ( 94.27 94.25	EFICH BORD  Change  40.02  5 +0.04  0 +0.03  Open barrer  MATE) Par  7 -0.08  8 -0.03	(MACIF) F8 High 122.24 121.82 124.72 124.72 234,903 Is internank 93.32 94.36 94.36	TURSES  121.98 121.80 124.72  offered rates 94.25 94.85	ы)	183,95 58,71 12,11 90,04 73,64 49,62
eptember locember loc	RR 10% NO Open 122.14 121.72 124.72 124.72 124.72 17H PIROR J 83.30 84.36 94.94 95.15	Sett price 122.16 122.17 124.88 9 † Total 93.11 94.27 94.88 95.07	Change 8 +0.02 +0.	(MACIEF) FBF   High   122.24   121.82   124.72   234.963   55 intertank   93.32   94.36   94.97   95.15	TURIES  LOW 121.98 121.60 124.72 offered ra 93.13 94.25	ы)	183,95 58,75 12,15 90,04 73,64
PARIS 7 to 10 YE/ September Accember Acreh September September Acreh Lune September Acreh Lune September Acreh Lune	Open 122.14 121.72 124.72 124.72 124.72 124.72 124.72 124.72 124.72 124.72 124.72 124.72 124.72 124.72 125.73 125.	TIONAL FR Sett pric 122.17 121.77 124.80 9 † Total 94.71 94.21 94.21 94.81 95.07 3 † Total	Chenge 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 6 40.02 7 40.07 6 40.02 7 40.02 7 40.02 7 40.02 7 40.02 7 40.02 7 40.02 7 40.02 7 40.02 7 40.02 7 40.02 7 7 40.02 7 7 40.02 7 7 40.02 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	(MACIEF) FBF   High   122.24   121.82   124.72   234.963   55 intertank   93.32   94.36   94.97   95.15	TURSES  121.98 121.80 124.72  offered rates 94.25 94.85	ы)	183,95 58,71 12,11 90,04 73,64 49,62
PARIS To 10 YEA September Securities September Securities September Septembe	Open 122.14 121.72 124.72 124.72 124.72 124.72 124.73 124.73 124.74 124.74 124.74 125.15 124.76 125.15 124.76 125.15 126.	Sett pric 122.11 121.77 124.8 9 † Total 9 4.2 11 94.2 14.2 14.8 95.07 3 † Total 15 Stock	ENCH SOME Change E +0.02 6 +0.04 0 +0.03 Open interes MATE) (Par 3 -0.11 7 -0.06 8 -0.03 7 -0.07 Open interes	(MACHE) F8 High Page 1 122.24 1 121.82 1 124.72 2 224.903 Is internank 93.32 94.36 94.97 1 94.	TURSES  Low 121.98 121.90 124.72  offered ca 93.13 94.85 94.85	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	183,99 58,75 12,15 90,04 73,64 49,62 38,57
PARIS 7 to 10 YEA September Septembe	RR 10% NO Open 122.14 121.72 124.72 124.72 134.72 143.80 83.30 84.36 94.36 95.15 94.94 95.15 94.94 95.15 94.94	Sett prior 122.17 124.8 § † Total 125.8 § † To	EFICH BOAD C Change 8 +0.02 6 +0.04 6 +0.04 C Part Exteres MATE) (Part 7 -0.06 8 -0.03 Open Interes Index:	(MACTHF) FBT   High   121.52   122.24   121.52   124.72	121.90 121.90 124.72 offered 12 93.13 94.25 94.85 95.04	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	183,95 58,75 12,15 90,04 73,84 49,82 36,57
PARIS 7 to 10 YE September Occamber Warch September	RR 10% NO Open 122,14 121,72 124,72 ohume 70,65 TH PIROR J 95,15 ohume 30,40 URIES (MAT 2135,0 2147,0	Sett oric 122.16 122.17 124.8 9 † Total  UTURES ( 93.16 94.25 94.8 94.25 94.8 2139.4	DENCH BOWN  CHARGE  CH	(MACTIF) F87   F861   121.82   122.24   121.82   124.72	USES  Low 121,96 121,96 121,90 124,72 effected 22 93,13 94,25 94,25 95,04 2123,0 2133,0	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	183,95 58,75 12,15 90,04 73,84 49,82 38,57
PARIS 7 to 10 YE/ September Jocomber March Satirnated vi September Josepher	RR 10% NO Open 122.14 121.72 124.72 124.72 134.72 143.80 83.30 84.36 94.36 95.15 94.94 95.15 94.94 95.15 94.94	Sett prior 122.17 124.8 § † Total 125.8 § † To	### BOND  ### Change  ### 40,025  ### 40,0	(MACHE) FBT   High   122.24   121.82   124.72   124.72   124.73   124.72   1234.903   18 Intertants   94.36   94.37   95.15   1275.45	121.90 121.90 124.72 offered 12 93.13 94.25 94.85 95.04	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	183,95 58,75 12,15 90,04 73,84 49,82 36,57

Estimated volume 30,403 † Total Open Interest 275,425  CAC-40 FUTURES (MATE) Stock Index  August 2135.0 2126.0 -19.0 2136.0 2123.0 September 2147.0 2139.0 -18.5 2174.0 2136.0 October 2159.0 2150.5 -19.0 2139.0 2136.0 December 2159.0 2150.5 -19.0 2139.0 2136.0 December 2171.5 -19.0 ECU BOTNO (MATE) September 117.26 117.28 117.28 117.36 117.18 Estimated volume 1,224 † Total Open Interest 12.002  DPTION ON LONG-TERM FRENCH BOND (MATE)  Strike September December March September December 120 2.17 - 0.02  U.21 - 0.02  U.22 0.28 1.04 - 0.14	ŀ	94.88			darch
August 2135.0 2126.0 -19.0 2136.0 2123.0 September 2147.0 2135.0 -18.5 2147.0 2136.0 2136.0 0clober 2159.0 2159.5 -19.0 2159.0 2159.0 2159.0 December 25,001 † Total Open Inferest 85,750 ECU 80ND (MATE)  ECU 80ND (MATE)  ESTIMATE Volume 1,224 † Total Open Interest 12,002  OPTION ON LONG-TERM FRENCH BOND (MATE)  Strike September December March September December 120 2.17 - 0.02 0L1  121 - 0.02 0L2		95.07 ' Tatal Open k			
September   2147.0   2139.0   -18.5   2147.0   2138.0     October   2150.0   2150.5   -18.0   2150.0   2150.0     December   2171.5   -19.0   2150.0   2150.0     Estimated volume   25,001     Total Open Interest   85,750     ECU 80100 (MARTIF)     September   117.28   117.28   117.36   117.18     Estimated volume   1,224     Total Open Interest   12,002     OPTION ON LOSS-TERM FRENCE BOND (MATIF)     Calls     Strike   September   December   March   September     December   120   2.17   -   0.02     121   -   0.02   0.14     122   0.28   1.04   -   0.14   1.25     Calls   Calls   Calls     Calls   Calls   C		Stock Index	MATE) SE	PUTURES (	CAC-40 F
October 2159.0 2150.5 -19.0 2159.0 2159.0 Decamber 2171.5 -19.0 2159.0 2159.0 Decamber 2171.5 -19.0 2159.0 2159.0 Decamber 2171.5 -19.0 2159.0 ECU 80NO (MATEF)  September 117.26 117.28 -117.36 117.18 Estimated volume 1,224 † Total Open Interest 12,002  OPTION ON LORG-TERM FRENCH BOND (MATEF)  Calls Strike September December March September December 120 2.17 - 0.02 01.121 - 0.02 01.122 0.28 1.04 - 0.14 1.2					
December		2139,0	47.0 21	nber 214	Septembe
Estimated volume 25,001 † Total Open Interest 85,750  ECU 80100 (MATE)  September 117.28 117.28 117.36 117.36 117.18  Estimated volume 1,224 † Total Open Interest 12,002  OPTION ON LOSS-TERM FRENCE BOND (MATE)  Calls  Strike September December March September December 120 2.17  - 0.02 0.1  121 - 0.02 0.1  122 0.28 1.04 - 0.14 1.2	i	2150.5	59.0 21	r 21:	October
ECU BOHO (MATE)  September 117.26 117.28 117.36 117.18  Estimated volume 1,224 † Total Open Interest 12,002  OPTIGN ON LORG-TERM FREECH BOND (MATE)  Calls  Strike September December March September December 120 2.17 - 0.02 0.1  121 - 0.02 0.1  122 0.28 1.04 - 0.14 1.2		2171.5	- 21	ber	December
September   117.26   117.28   117.36   117.18	8	Total Open in	5,001 <b>†</b> To	S strailor bei	stimated
Estimated volume 1,224 † Total Open Interest 12,002  OPTION ON LONG-TERM FRENCH BOND (MATE)  Calls Strike September December March September December 120 2.17 0.02 0.1 121 0.02 0.1 122 0.28 1.04 - 0.14 1.2			)	OHD (MATH)	CU BOM
Estimated volume 1,224 † Total Open Interest 12,002	_	117.28	7.26 11	ber 117	entember
Calls   Spring   Strike   September   December   March   September   December   March   September   December   120   2.17   -   0.02   0.121   -   0.02   0.122   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0.28   1.04   -   0.14   1.25   0	12,			ad volume 1	stirnated
Strike         Suptember         December         March         September         December           120         2.17         -         -         0.22         0.4           121         -         -         0.02         0.4         1.22         0.28         1.04         -         0.14         1.2	ir)	RENCH BOND	TEROX FROM	ON LONG-1	PTIGN O
120 2.17 0.02 0.1 121 0.02 0.1 122 0.28 1.04 - 0.14 1.2					
121 0.02 01 122 0.28 1.04 - 0.14 1.2	M	December		Seç	
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		-	-		
		0.62	0.04		
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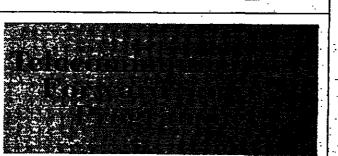
### **BASE LENDING RATES**

%	
Adam & Company ., 6	Cyonus
Allied Trust Bank 6	Dunca
A15 Bersk 6	Equato
Henry Ansbacher 6	Existen
B & C Merchant Bank _ 13	Finance
Bank of Baroda 6	<b>@Floberi</b>
Bernco Bilibao Vizcava 6	Giroba
Bank of Cyprus 6	<b>e</b> Guinn
Benk of Ireland	Habib
Bank of India	<b>Gliamb</b> r
Benk of Scotland	
	Heritet
Bardays Bank	OHE Sa
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f Fierrang & Co .... 6 Bank AG Zurich ... 6 ## & Ço .... 

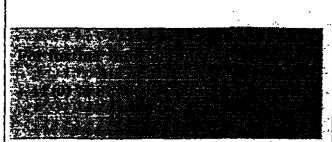
\* Rochughe Bank Ltd ... 8
\* (In administration)
Royal Bit of Scotland ... 6

@Smith 8, Willman Secs. 6 Standard Chartered .... 6 Cloted Real Knust ..... 6 Minutery Leidler ..... 6 Ambiedon & Sin West,7



Cable & Satellite Broadcasting · 5 October, 1993

**International Telecommunications** 18 October, 1993



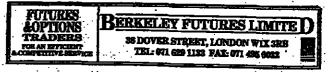
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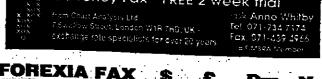


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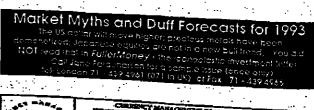


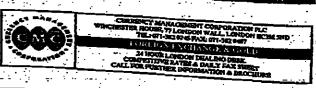
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Additional Amenical 1.00 = 20 Angioral 25	PRAIRIES   Pra.   + or	### ### ### ### ### ### ### ### ### ##	September   Sept	SHIPDEN (printinues)   Shippen 22   Receive + 9F
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4 pm	ORONTO		10400 0 11200 0 57823 0 387349 0 58480 0	lantson A Jestan Kulasso	High 24 \$5 <sup>1</sup> 4 \$16 <sup>3</sup> 4 \$11 <sup>3</sup> 8 \$6 <sup>3</sup> 4 \$45	Low 622 5 165 <sub>8</sub> 111 <sub>8</sub> 65 <sub>8</sub> 45	Cinse Case  24  5 .1- 16-5 -1- 11-3 +1-4 6-5 -1- 6-5		Magna Int/	High 523 % 1897s 522 % 530 5137s	23 <sup>1</sup> g 8 <sup>5</sup> g 22 <sup>1</sup> 2 49 <sup>1</sup> 4 13 <sup>1</sup> 2 21 <sup>7</sup> g	93.	<b>-</b> 46   1	21120 Se 27296 Si 41082 Si 79579 Si	Bagram Co S Bars Con s S7 hellCan A S	35 34 3 <sub>8</sub> 7 39 8	14 714 1 38 39+1 14 9 14 13 <sup>1</sup> 2
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### **Profit-taking** sends Dow into retreat

**Wall Street** 

AFTER four consecutive days of record-breaking gains, US stock markets ran into profittaking yesterday morning, leaving share prices lower across the board, urites Patrick

Harverson in New York.
At 1 pm, the Dow Jones Industrial Average was down 14.81 at 3,600.67. The more broadly based Standard & Poor's 500 was down 1.38 at 454.78, while the Amex composite was 1.11 lower at 447.59, and the Nasdaq composite down 0.91 at 730.05. Trading volume on the NYSE was 122m shares by I pm.

Dealers and analysts were not surprised by Monday's early losses. Share prices had ended in positive territory last Friday only because of a late burst of buying tied to the unwinding of stock index options that expired at the close. On the first Monday after options expiration stocks usually fall in early trading as the markets retrace the upward steps taken late on the previous Friday.

Often in such cases early selling peters out quickly, but this was not the case yesterday as investors decided that five days of gains, which had pushed the markets' indices to four new all-time highs, had left equities looking over-

Profit-taking, therefore, was the order of the day. Analysts said that the declines were a natural correction, and did not indicate a shift in underlying sentiment

Among individual stocks, cyclicals were mostly lower. General Electric, which rose sharply last Friday on news of planned layoffs, fell \$1 to \$97% in busy trading; Caterpillar gave up \$3 at \$80 at International Paper slipped \$% to \$66% and Minnnesota Mining & Manufacturing fell S': to \$107%. Consumer stocks, which

fared well last week, suc-

NATIONAL AND

Australia (69). Austria (17).... Belgium (42)... Canada (108).

Mexico (19).

cumbed to profit-taking. Philip Morris dropped \$% to \$49%. Pepsico slipped \$14 to \$38%, Procter & Gamble gave up \$1% at \$48, and RJR Nabisco eased

8¼ to \$5%. Drug and healthcare stocks, another sector that did well last week, also suffered a reaction. United Healthcare fell \$2% to \$58, Pfizer dropped \$1% to \$621/4, Merck slipped \$1/4 to \$32 and Bristol-Myers Squibb gave up \$1 at \$55%.

Morgan Stanley climbed \$4 to \$79, a new 52-week high after the securities house posted record second quarter earnings of \$225m.

Car stocks, which remain in favour with investors following strong quarterly earnings from the big three car manufactur-ers and buoyant car and truck sales, bucked the trend. Chrysler firmed \$\% to \$41\%, Ford added \$% at \$50%, and General Motors climbed \$% to \$45%.

On the Nasdaq market, casino stocks were in trouble with Casino Magic down \$1% at \$13% and Grand Casinos down \$1% at \$20%.

#### Canada

TORONTO was slightly higher at midday as gold stocks improved in otherwise quiet trading. The TSE-300 composite index was 3.69 higher at 4,080.87 in volume of 15.96m shares valued at C\$163m. Advancing stocks edged declines, 249 to 247, with 259 issues unchanged.

A recovery in gold stocks helped the market recoup ear-lier losses; at midsession, the gold and silver index was up 110.53 at 9.498.03.

#### **SOUTH AFRICA**

GOLD shares lost early gains in thin afternoon trade as the bullion price slipped. The golds index finished only 7 up at 1,778 after a day's high of 1,797. The industrial index rose 10 to 4,620 and the overall index added 5 at 4.049.

EUROPE

### Paris pre-empts Buba as bourses consolidate

began towards the end of the week extended, and in some

cases deepened yesterday, writes Our Markets Staff. PARIS paid little heed to the decision by the Bank of France to suspend its 24 hour lending facility, having earlier in the day cut the interest rate by another 50 basis points to 7.75 per cent. However, the more important intervention rate remained unchanged at 6.75 r cent and dealers said that the market would probably see cautious trading ahead of Thursday's Bundesbank council meeting. They said that hopes are for Germany to cut rates by up to 0.5 percentage points, enabling the French to cut rates by some 25 basis

The CAC-40 index lost 16.83 to 2,111.37 in turnover of some FFr2.4bn.

Euro Disney was off 4 per cent shortly after the opening following negative weekend media comment and confirmation by the group that summer bookings had been weak. Analysts reiterated sell recommendations on the stock and comsome European cement compa-

Turnover was DM5.7bn.

case scenario. yesterday's drop was exagger-ated by an overhang from the mented that the fittire of the company was dependent on the refinancing package currently

investors are still underv 1990 all time high of 1,976.43 in

DB Research, too, said that

FRANKFURT fell faster with the DAX index 34.41, or 1.8 per cent lower at 1,888.27 after Some observers thought that the consolidation could go a lot further: 1,800 was mentioned.

head of equity sales at Bank Julius Bär in Frankfurt, and jointly in charge of the trading desk, said that he saw a further 20-point drop as the worst-Mr Bettscheider thought that

dropping 16.30 on Friday from a three year high of 1,938.98.

But Mr Patrick Bettscheider,

triple options expiry on the Deutsche Terminborse last Friday. Before the consolidation the bank had seen "quite encouraging" buying from a number of big institutions, he said; he believes that global in Germany, and that the DAX will break through its April

be about to impose fines on

FT-SE Actuaries Share Indices THE EUROPEAN SERIES August 23 Hourly changes Ocen 10.38 11.00 12.00 13.00 14.00 15.00 Close 1283.00 1294.86 1295.01 1293.55 1292.46 1290.18 1291.82 1291.83 1575.17 1378.87 1376.75 1374.03 1373.81 1374.03 1373.52 1374.00 Aug 19 Aug 18 Aug 17 Aug 18 Ang 20 1303.09 1297.31 1304.07 1385.51

> Bann value 1000 (29/1690) Hightisy: 100 - 1296.92; 200 - 1976.03 Lyndon: 100 - 1286.74 200 - 1972.23. the consolidation was healthy. Its chief equities analyst, Mr Thomas Neisse, saw the DAX reaching 2,000 this year and predicted a rise to 2,200 in the first or second quarter of 1994. AMSTERDAM drifted lower in the absence of major corpo-

rate news, the CBS Tendency index losing 0.8 to 121.1. Nedlloyd and Wolters Kluwer. which reports half year results today, both went against the trend, with respective rises of FI 1.10 and 80 cents to FI 43.10

Polygram eased Fl 1.40 to Fl 63.00. The stock has attracted positive brokers' comments following its good results recently. Kleinwort Benson's Dutch team have

restated their buy recommen-dation, citing its long-term earnings growth of 20 per cent

plus per annum.
MILAN retreated a little from earlier highs further but most brokers said that senti-ment remained firm. The Comit index closed 3.00 higher

at 618.68. Italcable featured a 4.3 per cent rise to L10,240 as the issue began to catch up with gains in the telecommunications sector last week. Elsewhere in the sector Sip added L42 to L3,680 and Stet L47 to L4,597.

ZURICH's SMI index eased 6.7 to 2,467.3 in calm dealings. Brown Boveri continued to face selling pressure after last week's satisfactory first-half

results, falling SFr22 to SFr896. STOCKHOLM remained weak with profit-taking being noted in the banking sector, down 3.7 per cent on the day. The Affarsvärlden general index lost 17.9 to 1,291.6 as turnover remained strong at

Handelsbanken A shares shed SKr2 to SKr146 ahead of

today's half year results.
OSLO extended last week's falls, the All-share index losing 11.03 or 1.9 per cent to 562.11 in turnover of NKr658m. Uni Storebrand, which reported a first half profit of NKr689m, slightly below expectations, lost NKr0.20 to NKr19.30.

Moving east, bourses offered various reactions to the day's consolidation. VIENNA followed Frankfurt, but at a distance with the ATX index down 13.30, or 1.3 per cent at 1,000.66. ATHENS continued its downward plunge with a 34.63 drop to 968.53 leaving the gen-eral index down 7.9 per cent in a week; and WARSAW ignored the trend altogether in price terms as the all-share WIG

## Nikkei average weakens in lowest volume of the year

TRADING volume was the lowest of the year yesterday as investors remained absent on uncertainty regarding both the future course of the strong yen and the government's policy in reviving the economy, writes Emiko Terazono in Tokyo.

The Nikkei average slipped 193.12 to 20,414.14, its fifth consecutive decline, having opened at the day's high of 20,595,26 before easing steadily during the session to hit the day's low of 20,384.44 just before the close.

Volume was 139.3m shares, below the previous year's low of 140.7m shares registered on July 5. Declines led advances by 742 to 217, with 194 issues unchanged. The Topix index of all first section stocks shed 15.01 to 1,644.18 and, in London, the ISE/Nikkei 50 index softened 1.52 to 1.254.44.

Euro Disney

Share price and index rebased

Buro Disney

eing negotiated. The shares

finally closed off 80 centimes at

Fl 56.00, having seen a day's

Alcatel Alsthom saw further

profit-taking after last Friday's

announcement that it had won

a South Korean contract, easing FFr10 to FFr722. Lafarge

Coppee lost FFr16.50 to

FFr423.50 on a report that the

European Commission might

low of FFr54.50.

Foreign investors were mall-lot buyers, but some banks were seen taking profits on their long-term portfolios ahead of the September midterm book closing. Dealers were also seen selling as this is the final week for August delivery.

Investors, hoping that the first policy speech in the afternoon by Mr Morihiro Hosokawa, the prime minister, would present measures to boost the economy, were disappointed. Mr Hosokawa expressed concern but failed to map out specific measures.

Meanwhile, the yen once again strengthened on buying by exporters in spite of active intervention by the Bank of Japan. The dollar yesterday closed Y1.10 down at Y103.35. Fading prospects of a cut in the official discount rate hurt financial issues. Bank of Yoko-

hama, the day's most active issue, lost Y10 to Y1,110, Bank of Tokyo fell Y70 to Y1,640 and Fuji Bank shed Y60 to Y2,370.

Telecommunication shares were lower: Nippon Telegraph & Telephone dropped Y7,000 to Y936,000 on reports that it might delay the commercialis-ation of its next-generation communications network. KDD, the international telecom company, fell Y500 to Y11,800 on plans for a rate cut in international calls this October.

Ricoh, which was supported last week on its technology for turning copied paper into blank pages, receded Y7 to Y808 on profit-taking.

In Osaka, the OSE average declined 157.29 to 22,377.34 in volume of 35.8m shares. Nintendo, the video game maker, went against the trend, rising Y310 to Y9,710 on reports that it is developing a new generation of video game hardware.

#### Roundup

THE WEEK began with a mixture of profit-taking and record highs in New Zealand and Manila, Bombay was closed for a public holiday.

HONG KONG shed 2 per cent as the banking sector continued to fall back following last week's disappointing results from Hang Seng Bank, down HK\$2 at HK\$55.50. HSBC Holdings, the parent group, also lost HK\$2, to HK\$81.50.

The Hang Seng index slipped 156.94 to 7,388.4, just above the day's low. Swire Pacific, which reports

this week, declined HK\$1.25 to HK\$39 on forecasts of poor results SINGAPORE retreated from all-time highs at the close as investors took profits. The

Straits Times Industrial index

gave up a net 7.78 at 1,964.49,

having seen an intra-day record high of 1,982.39. Brokers pointed out that Malaysian shares traded over the counter were sold on news

that the country's finance minister would make a challenge for the deputy president's post in Novembe In KUALA LUMPUR the reports of the challenge also

gave investors an incentive to take profits and the composite index eased 0.25 to 805.26 in volume of 365.4m shares. **NEW ZEALAND** continued its rally, the NZSE-40 capital

index finishing at its highest level since January 1990. Among the actives, Carter Holt Harvey advanced 7 cents to NZ\$3.49 and Brierley Investments 3 cents to NZ\$1.18. The index gained 8.85 at 2,027.37 in

turnover of NZ\$60.1m. Fletcher Challenge met renewed profit-taking, easing 4 cents to NZ\$3.66, but the

up following the good results last week.

AUSTRALIA was moderately firmer as many investors consolidated positions after last week's strong gains. The All Ordinaries index

closed 5.7 higher at 1,932.8 in turnover of A\$391.4m. Strong buy orders from Hong Kong lifted BHP 14 cents to A\$15.50. News Corp, which reports tomorrow, added 10

cents at A\$9.30. MANUA rose to record levels again, led by Philippine Long Distance Telephone, which climbed 25 pesos to 1,190 pesos. The composite index put on 20.29 at 1,783.30 in turnover of 429m pesos.

SEOUL was easier as profittaking was seen among largecapitalisation issues. The composite index finished 7.33 down at 727.06 in turnover of Won309.9bn\_

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### Decline in Japan slows World Index

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_	1 Week	4 Works	1 Year	Start of 1983	Start of 1993	Start of 1993
Austria	+0.41	+5.43	+30.58	+26.11	+21.03	+20.7
Belgium	-0.56	+2.16	+24.04	+21.07	+14.10	+13.8
Denmark	+3.47	+11.10	+23.07	+33.08	+22.29	+22.0
Anland	+1.89	+19.90	+154.95	+84.22	+67.17	+66.8
France	-0.74	+6.97	+24.36	+17.62	+11.46	+11.2
Gелпалу	+0.81	+4.95	+25.45	+24.09	+19.86	+19.6
Ireland	+1.13	+8.48	+40.47	+45.79	+26.59	+26.3
ltaly ,,,,,,,,	+4.80	+12.02	+73.11	+51.52	+40.87	+40.5
Netherlands	+1.14	+6.10	+26.87	+23.25	+18.91	+18.6
Norway	-2.93	+10.34	+52.60	+33.21	+26.96	+26.7
Spain	+3.70	+12.32	+43,21	+36,71	+15.73	+15.5
Sweden	+0.11	+10.86	+60.25	+29.62	+15.40	+15.1
Switzerland	+0.31	+4.83	+39.70	+20.40	+19.62	+19.3
UK	+1.43	+8.28	+33.43	+9.45	+9.45	+9.2
EUROPE	+1.10	+7-56	+33.73	+16.77	+15.00	+14.7
Australia	+3.20	+5.48	+18.63	+19.27	+17.67	+17.4
Hong Kong	+1.61	+9.82	+31.92	+34.74	+34.86	+34.5
Japan	-1.39	+3.11	+41.1B	+25.70	+49.98	+49.6
Malaysia	+4.09	+8-26	+70.09	+40.63	+44.33	+44.0
New Zealand	+9.69	+18.97	+41.52	+35.45	+46.29	+46.0
Singapore	+4.11	+10.23	+54.36	+29.55	+32.02	+31.7
Canada	+1.40	+6.32	+10.57	+13.66	+9.53	+9.3
USA	+1.36	+2.00	+9.51	+4.79	+5.00	+4.7
Mexico	+5.43	+12.35	+28.61	+3.43	+3.94	+3.7
South Africa	+1.70	+0.67	+29.53	+28.59	+34.53	+34.2
WORLD INDEX	+0.50	+3.99	+24-29	+15.00	+20.17	+19.9

By William Cochrane

five Pacific Rim equity markets, three senior bourses in Europe, Wali Street in the US and Toronto in Canada were all hitting 1993 highs; yet the FT-Actuaries World Index ended the week with a rise of just 0.5 per cent. Some high-profile invest-

ment destinations, such as Germany, France, the UK and Hong Kong, saw profit-taking last Friday; but Japan was the real drag on the World Index with a fall of 1.4 per cent in local currency terms. Nomura's global strategy team in London, headed by Mr Nicholas Knight, put out a sell recommendation on Japanese

equities last week, noting that

the market at that point was

still 46 per cent higher than it was a vear earlier. Given that, say the team, the key priority now may be the wish to avoid a repetition of the "bubble" economy of the mid to late 1980s; the authorities may seek to reflect the economy to the exclusion of

THURSDAY AUGUST 19 1983

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited

in conjunction with the Institute of Actuaries and the Faculty of Actuaries

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the stock market and a "wall of money" might come out of Japan to cap the rising yen. whether Japanese money has

been feeding gains elsewhere on the Pacific Rim. Mr David Bates at Asia Equity says his clients have been thinking positively after a bullish National Day in Singapore. Malaysia expected to produce a repeat performance at the end of this mouth, and Hong Kong moving from exuberance to caution - the latter over China worries and the Hang Seng Bank results - at the end of last week

However, Ms Pauline McAtamney at Ord Minett thinks that New Zealand, certainly, must have seen some new source of funds as turnover boomed last week, and its World Index constituent index climbed by a heady 9.7 per cent. Fletcher Challenge lit the touch paper with results better than market expectations, indicating that forestry returns had touched bottom, and with its plans for a separate vehicle for its forestry assets.

DOLLAR INDEX

226.99 63.01 159.00 115.19 228.05 158.83

182.21 169.01

#### Notice of Redemption

INDUSTRIAL BANK OF FINLAND LTD ECU 60,000,000 9% Bonds due 1995

Notice is hereby given that persuant to section 5 (a) of the Terms and Conditions of the Bonds, Industrial Bank of Finland Ltd will redeem on

The Issuer having purchased in the market Bonds for a nominal emount of ECU 6,844,000 pursuant to section 5 (d) of the Bonds, the Fiscal Agent has drawn ECU 5,156,000 nominal of the Bonds for redemption pursuant to section 5 (b).

Serial numbers of the drawn bonds are as follows: 1) Bonds denominated in amounts of ECU 1,000



2) Bonds denominated in amounts of ECU 10,000



ECU 24,000,000 nominel amount of the Bonds will remain outstanding

Payment will be made upon surrender of the Bonds, together with all Coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Bonds should be surrendered for payment together with all unmatured Coupons, appertaining thereto, falling which the face amount of the missing unmatured Coupons will be deducted from the principal amount due for payment.

> BANQUE GÉNÉRALE DU LUXEMBOURG

Fiscal Agent

#### Notice of Early Redemption Daily Mail and General Trust plc Associated Newspapers Holdings plc 260,000,000

84% Exchangeable Bonds Due 2003 (the "Bonds") NOTICE IS HEREBY GIVEN that pursuant to Combition 11(b) of the Bonds, the Issuer will redeem all of the Bonds at 10(% of their principal amount on 27th September, 1993, together with interest accrued from 25th September, 1993 to 27th September, 1993, and shall amount to £1,010.46p per £1,000 Rond and £5,052 29p per £5,000 Bond. Interest on the Bonds will cease to accrue from 27th September, 1993. Repayment of principal and interest will be made upon presentation and surrender of the Bonds, with all unmatured coupons attached, at the 45th of the Bonds, with all unmatured coupons attached, at

the offices of any of the Paving and Exchange Agents listed below. Bankers Trust Company

I Appold Street Broadgate London EC2A 2HE

Bankers Trust Luxembourg S.A. PO Box 807 14 Bodevard F.D. Roosevelt L-2450 Luxembourg

Swiss Bank Corporation ! Aeschenvorstadt CH-4002

Holders of Bonds have the right (the "Exchange Right") to rede their Bonds at their principal amount and have that amount applied in acquiring Ordinary shares of Reuters Holdings ple. The Exchange right of any Bond in respect of which the conditions required for exchange have not been satisfied by the relevant Bondholders by the end of 19th September, 1993 shall thereupon terminate.

A Bankers Trust Company, London

Agent Bank

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Heilbronn, this invaluable Guide Enables you to select the most suitable legal

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